Simplyhealth

Simplyhealth Group Limited
& Simplyhealth Access

Solvency and Financial Condition Report

31 December 2022

Contents

Executive Summary

At Simplyhealth we're all together healthier

As a purpose-led health solutions UK Group, we're striving to improve access to healthcare for all in the UK. For 150 years, we've always stood for a healthier world, through our positive impact on the environment, in the way we contribute to society, and by governing ourselves in a responsible way.

We are a UK Group that exists to improve access to healthcare for our millions of customers, and for society at large. This year we celebrated 150 years of our health plans supporting individuals, their families and their businesses with their everyday health concerns, as we believe that no one should go without the healthcare support they need. As a company limited by guarantee, we exist for the benefit of our customers who are our members, both now and in the future. We also support communities by donating a proportion of our profits every year to good causes. The Board and wider leadership team remain committed and focused on the delivery of our strategy, which does not change after our CEO, Sneh Khemka, left us in February 2023.

Simplyhealth's purpose ('Our Purpose') is to improve access to healthcare for all in the UK. The health of our business underpins our ability to help improve the health of individuals, in turn supporting strong communities and ultimately benefits society as a whole - an 'All Together Healthier' approach.

Our insurance plans are underwritten by Simplyhealth Access. Products sold via our Denplan operation provide administration of payment plans, support, guidance and advice to member dentists, and selling Corporate Dental insurance solutions, underwritten by Simplyhealth Access. Simplyhealth Group is authorised and regulated by the Prudential Regulation Authority and regulated by the Financial Conduct Authority.

2022 - Simplyhealth's 150th year in review

We are pleased to report that excellent progress has been made in 2022, which also saw us celebrate our 150th anniversary. We are serving our purpose with greater vigour than ever, improving access to healthcare for tens of thousands of more people year-on-year.

A bigger role to play

The challenges that the National Health Service (NHS) is currently facing means that our purpose and existence has never been more relevant. Unfortunately, many citizens of the UK do not have the access to healthcare they once enjoyed , and Simplyhealth has not only an opportunity but a mandate to fill the gap.

It has become clear that policymakers will face tough decisions about how to fund the NHS, and in turn, what the NHS can afford to offer to UK citizens. Our speculation is that it will have to concentrate on providing excellent emergency, inpatient, and specialist care. This may well come at the need to find new funding models for primary care and outpatient services, including mental health, physiotherapy, ophthalmology and dentistry.

That is where Simplyhealth comes in, and that is what we are preparing the Company for.

Performance in 2022

Everyone reading this report will be acutely aware of the macroeconomic challenges facing not only this country but the world. Even in this environment, we have managed to make positive progress.

Our Corporate business has shown strong growth over the year, increasing the number of customers served by 28k to almost 600k. This was partly due to market sentiment and demand from companies who, in a post-Covid era, are looking to offer their employees enhanced health benefits in particular. But it was also partly due to a restructured and refreshed sales team who have a new set of tools, methodologies and incentives resulting in excellent outcomes.

Unfortunately, our Consumer business has been particularly challenged by the economic environment. Many of our long-standing customers have had to make the difficult choice between essential household services, including food and heating, and their Simplyhealth policy. This has meant we have seen the portfolio decline by 25k customers over the year to 382k customers; but we are not alone – this trend has been similar amongst many of our competitors, and indeed others have withdrawn from new sales in the Consumer market entirely.

The dental market has seen the greatest level of NHS/private disruption across the UK healthcare markets. This has resulted in significant growth in our Denplan business with new sales higher than any single year over the last decade – a testament to the strength of the product and hard work of our colleagues We ended the year looking after 1.4m people's dental plans. In 2023, we will be undertaking a strategic exercise to reimagine our future in the dental space as the market evolves.

What does 150 years old feel like?

This landmark year is one of great pride for us, and instead of being an excuse for complacency, we have used it as motivation to refocus and transform our business.

Of particular note, we have invested heavily into our technology infrastructure, as getting this right is key to our long-term success. We are delighted to report that the Policy 2.0 programme, which replaces our legacy Healthplan IT operating platforms, had a successful launch in the middle of the year. 2023 will be a particularly challenging year for this programme, as we migrate our customers off the old platforms and onto the new.

However, in doing so we will enable ourselves to be more automated, quick and accurate in our servicing – meaning a much smoother process for our customers. The new platform also allows us to build a better understanding of our customers, supporting future product innovation and allowing us to rapidly bring relevant new products that they want to market.

We also used the year to clean up a quite complex product landscape through a joint rationalisation and simplification programme, meaning that our T&Cs became much simpler for customers to understand and complexity for colleagues was removed, resulting in an enhanced experience for all.

We transformed the organisation from a waterfall, project-led mindset into an agile, product-led way of being through some significant infrastructural and people change. This is vital if we are to move rapidly for our customers as the healthcare landscape changes. We have welcomed several new Executive Committee members, who come to us steeped in consumer-centric, retail and product experience from their previous roles, and are already adding great insight and pace to our innovations.

People

We are taking a three-pronged approach to our workforce, work which was initiated some years ago, and will continue as we undergo core transformation.

The first is to ensure that our employee value proposition is outstanding and that people actively choose to come and work for us and then stay with us. An example of this is our strong commitment to help employees deal with the current cost-of-living crisis, which included an award of £1,000 cash payment we gave to all employees on a lower salary.

The second prong is to bring efficiency to the business so that we can put our customers' funds to the very best use. This comes from a programme of automation and digitisation, meaning that computers and machines can do large swathes of processing, leaving humans to interact with customers in an empathetic and helpful way.

The third prong is to develop a new culture that is increasingly commercially focused, thinks of the customer at every step and is empowering to ensure ownership and accountability are taken at all levels of the organisation. Cultural transformation is a long game, but 2022 saw huge internal advances in this space.

Summary of our strategy

Our strategy is focused on driving further growth in our core businesses through enhanced products, features and digital solutions. We continue to strengthen our foundations, to enable us to deliver ongoing innovation to the UK health market. Simplyhealth is on a strategic journey to move from the provision of traditional health financing solutions to health delivery solutions. This will ensure we can broaden access to healthcare in the UK to many more people in a digital and personalised manner. We are achieving this through innovation in our core businesses, and we have also established two new routes to market. During 2022, we established two new entities within the Simplyhealth Group: Simplyhealth Foundry and Simplyhealth Venture Capital. Simplyhealth Foundry has been established to build and incubate new business ventures; and Simplyhealth Venture Capital is a new venture capital vehicle through which Simplyhealth invests in health tech start-ups aligned to our strategic objectives.

Preparing ourselves for the future

There are three additional milestones achieved in the year that we are immensely proud of.

The first was the award of B Corp certification which we achieved in the summer, being the very first health insurance Company in the UK to do so. The certification is testament to our deep rooted and very evident commitment to the environment, society and good governance. It is a rigorous process to gain B Corp certification, and it allowed us the opportunity to reengineer how we conduct ourselves and how we do business. A very real example is the charitable donations that we have made, not only to help those in need in the UK, but to support those torn apart by the war in Ukraine, to whom we committed £150,000.

The second was the launch of Simplyhealth Venture Capital, an evergreen £60m Venture Capital fund that is investing in the very best digital health technology available and bringing that to our customers to improve their lives. We made three investments in the year which are performing well.

The last, but certainly not the least, was the inception of Simplyhealth Foundry, which is the place where we can dream up and develop brand new businesses that will sustain our organisation into the future, give us access to customers that we have not engaged with before, and provide life and health enhancing services.

Despite what can sometimes look like a gloomy picture on many fronts for 2023, we remain extremely optimistic about the opportunity Simplyhealth has to help individuals and families in this country with their everyday health needs.

Summary

As 2022 closed, we are confident that we are well positioned for a successful 2023, with a strong leadership team in place, a solidified strategy already driving modernisation and growth, and a newly energised culture focused on innovation and being customer led in everything we do. We are pleased by all the progress made to date, and excited for all the new health delivery solutions we are poised to deliver next year, as we continue to make a difference to customers' health outcomes and deliver on our purpose.

Section A: Business and performance

Simplyhealth Group Limited ("the Company") is a private company that is limited by guarantee. The Simplyhealth Group (the Company together with its consolidated subsidiaries, "the Group" or "SHG") reported a loss before tax for the year of £24.5m (2021: £14.7m loss), an adverse variance on prior year of £9.8m.

The 2022 financial year results were impacted significantly by the geo/political and economic effects of the Russia/Ukraine conflict on our investment assets which saw unrealised losses of £22.6m (excluding the £0.8m gain on unlisted investments) arise on our investment portfolio. The more significant variances in our results year on year arose through:

- **Technical income reported growth of £15.1m on prior year** - this includes the one-off effect of the return of £8.3m of premiums to customers as their access to healthcare services was restricted through COVID lockdowns. Underlying growth of £6.8m in our premium income is supported by the growth in our Corporate segment offset by the effect of challenges on our Consumer segment, both of which are noted above.
- **Technical expenses were £7.8m adverse on prior year** – the increase in our expense base includes increased marketing spend and increased staff costs as we support our colleagues through the cost-of-living crisis.
- **Investment return was £27.6m adverse on prior year** – as noted above this includes £22.6m of unrealised losses this year on our bond, collective investment undertakings and derivatives investments in line with market reactions to the UK and wider global economy recessionary fears impacted by the ongoing Russia/Ukraine conflict.
- **Amortisation of goodwill and other intangible asset charges were £11.2m lower than in 2021** – this favourable variance is wholly driven by the amortisation of goodwill. Charges of £11.5m were recorded in 2021, fully amortising the asset.

Simplyhealth Access ("SHA"), a regulated insurer of medical expenses within the Group, reported a loss before tax for the year of £29.1m (2021: £13.9m loss), an adverse variance of £15.2m. The key variance year-on-year was in the performance of the investment portfolio which saw unrealised losses of £22.6m provide an adverse variance of £18.1m on prior year, reflective of the geo/political and economic effects of the Russia/Ukraine conflict on our assets. The key variances in our results year on year arose through:

- **Technical income reported growth of £15.1m on prior year** - this includes the one-off effect of the return of £8.3m of premiums to customers as their access to healthcare services was restricted through COVID lockdowns. Underlying growth of £6.8m in our premium income is supported by the growth in our Corporate segment offset by the effect of challenges on our Consumer segment, both of which are noted above.
- **Technical expenses were £6.2m adverse on prior year** – the increase in our expense base includes increased marketing spend and increased staff costs as we support our colleagues through the cost-of-living crisis.
- **Investment return was £21.1m adverse on prior year** – as noted above this includes £22.6m of unrealised losses this year on our bond, collective investment undertakings and derivatives investments in line with market reactions to the UK and wider global economy recessionary fears impacted by the ongoing Russia/Ukraine conflict.
- **Revaluation of land and buildings reported a loss of £1.8m in 2022** – the market value of our Andover offices reduced in 2022 as commercial property rental and resale values reflected the reduced demand for office space in a post COVID environment.

Section B: System of governance

The Board of Directors ("the Board") is collectively responsible for ensuring Simplyhealth is successful for the benefit of its stakeholders, setting the strategic direction, providing entrepreneurial leadership and overseeing the effective management of key risks faced by the business.

To assist the Board in carrying out its duties, the Board delegates some of these responsibilities, although not accountability, to a number of Board Committees and to the Chief Executive Officer.

The Group adopts the 'Three Lines of Defence' operating model for defining risk management accountability within roles and responsibilities. This operating model supports strong alignment between risk management, accountability, decision-making and reward.

Our system of governance is designed to ensure that we are well positioned to continue to deliver Our Purpose while effectively managing risk. This system and associated frameworks are reviewed annually by the Board. As Simplyhealth has neither shareholders nor a requirement to distribute profits to members, the roles of voting members and the board of directors in providing effective governance are particularly important.

Section C: Risk profile

The Board and the Executive committee ('Exco') consider risk management to be a fundamental part of Our Purpose and a significant aspect of corporate governance. The effective management of risk is central to our culture and decision-making and provides an essential contribution towards the achievement of our strategy.

The Board is ultimately responsible for overseeing and maintaining the adequacy and effectiveness of the risk management and internal control systems. The Board is responsible for determining the nature and extent of the principal risks the Simplyhealth Group is willing to take in achieving its strategic objectives, including the setting of the Simplyhealth Group's overall risk appetite. The Board delegates oversight and scrutiny of risk management to the Risk and Capital Committee, who regularly report up to and provide recommendations to the Board.

The day-to-day responsibility for implementation and maintenance of the internal control system rests with Simplyhealth's various senior management functions as defined under the Financial Conduct Authority ('FCA'), and Prudential Regulation Authority ('PRA') Senior Managers and Certification Regime ('SMCR'). Second Line oversight and challenge of Simplyhealth's risk management and reporting processes rests with the Group Risk function. The consolidated risk report produced by this function is firmly embedded in the management and Board reporting. This report enables the monitoring of risk-taking measured against agreed risk limits, using a suite of Key Risk Indicators linked to risk appetite.

We have a comprehensive Enterprise Risk Management framework ('Risk framework') that stipulates the minimum standard for risk management and internal control for the Simplyhealth Group. In turn, this enables reasonable assurance to be provided to the Exco, Board and external stakeholders that Simplyhealth is achieving its risk management and internal control objectives. The effectiveness of the Risk framework is independently assessed as part of the programme of activity carried out by the Internal Audit function in the Third Line of defence, the results of which are reported to the Audit Committee.

Section D: Valuation for solvency purposes

Under Solvency II, assets and liabilities are valued on a market-consistent basis. The principle underlying the solvency valuation is the amount for which they could be exchanged, transferred or settled by knowledgeable and willing third parties in an arm's length transaction.
The table below summarises the material differences between the Solvency II and UK GAAP valuations:

	SHG		SHA	
	At 31 December 2022 £m	**At 31 December 2021 £m**	**At 31 December 2022 £m**	**At 31 December 2021 £m**
UK GAAP: Equity per audited financial statements	219.5	238.4	171.0	193.7
Inadmissible asset: Goodwill and intangible assets	(4.7)	(2.4)	0.0	0.0
Inadmissible asset: Deferred acquisition costs	(1.3)	(1.1)	(4.3)	(2.9)
Adjust technical provisions to Solvency II basis	10.5	8.8	11.8	11.6
Deferred tax valuation adjustments	(1.7)	(1.3)	(1.5)	(1.6)
Investment valuation adjustments	0.0	(3.5)	(0.1)	(0.1)
Other asset/liability valuation adjustments	(0.5)	(0.7)	0.3	0.1
Solvency II: Excess of assets over liabilities	**221.8**	**238.2**	**177.2**	**200.8**

Section E: Capital management

The Group manages its capital on both economic and regulatory bases to ensure it has sufficient funds to meet its business objectives, the promises made to policyholders and regulatory requirements.

Simplyhealth has used the Standard Formula method, as prescribed by the European Insurance and Occupational Pensions Authority ("EIOPA") and Prudential Regulation Authority ('PRA'), to calculate the SCR without undertaking-specific parameters or simplifications. Simplyhealth maintained unrestricted tier 1 own funds well in excess of the SCR throughout the reporting period. The ratio is significantly in excess of regulatory requirements and these KPI's are clear indicators of a strong, sustainable business that our customers can trust to be around to support them with their healthcare needs for the long term.

	SHG		SHA	
	At 31 December 2022 £m	**At 31 December 2021 £m**	**At 31 December 2022 £m**	**At 31 December 2021 £m**
Solvency II eligible own funds	221.8	238.2	177.2	200.8
Solvency Capital Requirement (SCR)	64.4	70.4	60.3	64.9
Solvency II SCR Coverage Ratio	**344.5%**	**338.5%**	**293.7%**	**309.5%**

Looking beyond 2022

We are an organisation with a clear purpose, seeking to improve healthcare for all in the UK. We exist to serve our customers, look after our colleagues, and attend our communities. Over the next twelve months and beyond we'll continue to explore ways to enhance and transform the business this will include the following:

- The migration of all customer policies onto our new platform, ensuring our customers can benefit from the improved capabilities and experience
- Data and digitisation – we are continually improving the way we use data throughout the business, to ensure we are customer-led in everything we do, and digitising where possible to speed up processes and remove any barriers to customers being able to access whatever they need at their convenience
- Bringing new products and services to market, either internally or through working with an ecosystem of digital healthcare providers, offering them to customers when and where they need them most
- In 2023, we will be introducing a new ESG Framework to strengthen the progress we have already made and direct our efforts and investments for future years. Following a review of our 2022 progress against our goals (contained in this report), we will be restating our 2023-25 ambitions. In many cases, this will include sharpening goals already in place. With new systems and data available, we will also be challenging ourselves to go further and extend our impact in more and different ways.

Going concern

The strength of our reserves and solvency II ratio of 345% *(2021: 339%)* is a clear indicator of a strong, sustainable business in which people can trust to be around to support them with their healthcare needs for the long term. Capital headroom, representing the capital surplus above our regulatory capital requirements, adjusted for the Group's risk appetite, remained strong though decreased by £8.3m, primarily through the effect of investment losses on 2022 results both on a statutory and regulatory basis. Our solvency capital surplus gives us the capacity to invest for growth and to deliver our strategy, as well as being able to absorb market shocks and other stresses, which are tested through our Own Risk and Solvency Assessment ('ORSA').

Our ORSA demonstrates a robust capital strength allowing us to absorb substantial shocks and still retain significant headroom above our capital holding requirement. We have tested our solvency with a number of scenarios including large membership lapses, financial market shocks, and various levels of economic downturn including claim risks resulting from the pandemic. The majority of our scenarios indicate that Simplyhealth will remain solvent in the event of severe, yet plausible events. Our 'severe business downside' scenario, intended to stress our position significantly beyond that of the already severe 'business downside' scenario, was the only scenario identified with the potential to result in a breach of our solvency ratio. A number of management actions are available in the highly unlikely event that this scenario were to occur to return our solvency ratio to within our risk appetite, ensuring sufficient headroom above our SCR. On that basis the Directors have confidence that the Group has sufficient capital and liquidity facilities to ensure that it will continue in operational existence for the foreseeable future. Accordingly, the Directors have adopted the going concern basis in preparing these financial statements.

The Group remains in a strong solvency position at the end of the year with Eligible Own Funds of £221.8m *(2021: £238.2m)* compared to its Solvency Capital Requirement ('SCR') of £64.4m *(2021: £70.4m)*, giving a solvency ratio of 345% *(2021: 339%)*.

Capital headroom of £131.6m *(2021: £139.7m)* represents the capital surplus above our regulatory capital requirements, adjusted for the Group's risk appetite. The risk appetite has been agreed with the Board of Directors and includes a capital buffer in excess of the SCR.

Simplyhealth Group Limited

Consolidated statement of comprehensive income

Year ended 31 December 2022

	2022 Total £m	2021 Total £m
TECHNICAL ACCOUNT		
Total technical income	213.3	198.2
Total claims incurred	(143.8)	(142.6)
Net operating expenses	(69.5)	(61.7)
Balance on the general business technical account	-	(6.1)
NON-TECHNICAL ACCOUNT		
Investment returns:		
Income from investments	1.8	2.1
Losses on realisation of investments	(2.2)	0.2
Unrealised losses on investments	(21.8)	(1.3)
Investment charges and expenses	(0.9)	(0.6)
Other income and charges:		
Other income	22.1	24.1
Other charges	(20.6)	(24.8)
Share of profit in joint ventures	-	0.2
Impairment of investments	-	4.1
Profit on disposal of operations	0.2	0.3
Revaluation of land and buildings	(1.8)	-
Donations	(0.5)	(0.9)
Amortisation of goodwill and other intangibles	(0.8)	(12.0)
Loss on ordinary activities before tax	(24.5)	(14.7)
Tax on loss on ordinary activities	5.8	1.8
Total comprehensive loss for the financial year	(18.7)	(12.9)

Simplyhealth Access

Statement of comprehensive income

Year ended 31 December 2022

	2022 Total £m	2021 Total £m
TECHNICAL ACCOUNT		
Total technical income	213.3	198.2
Total claims incurred	(143.8)	(142.6)
Net operating expenses	(72.2)	(66.0)
Balance on the general business technical account	(2.7)	(10.4)
NON-TECHNICAL ACCOUNT		
Investment returns:		
Income from investments	1.8	1.9
Losses on realisation of investments	(2.2)	(0.3)
Unrealised losses on investments	(22.6)	(4.5)
Investment charges and expenses	(0.9)	(0.6)
Other income and charges:		
Revaluation of land and buildings	(1.8)	-
Impairment of investment in subsidiary	(0.7)	-
Loss on ordinary activities before tax	(29.1)	(13.9)
Tax on loss on ordinary activities	6.6	2.6
Total comprehensive loss for the financial year	(22.5)	(11.3)

A. Business and Performance

A.1 Business

A.1.1 Registered office, regulators and external auditors

Simplyhealth has prepared a single Solvency and Financial Condition report ("SFCR") in accordance with waiver 00003476 granted by the Prudential Regulation Authority ("PRA") on 12 November 2021. The single SFCR comprises information on the Group as a whole and information on the wholly owned regulated insurance undertaking within the Group, Simplyhealth Access.

Ultimate parent undertaking:	Simplyhealth Group Limited
Regulated insurance undertaking:	Simplyhealth Access
Registered office:	Hambleden House Waterloo Court Andover Hampshire SP10 1LQ
Independent external auditor:	Deloitte LLP 1 New Street Square London EC4A 3HQ
Regulators:	The Prudential Regulation Authority (PRA) authorises and regulates the Group's activities related to the provision of non-life insurance products: Prudential Regulation Authority Bank of England 20 Moorgate London EC2R 6DA The Financial Conduct Authority ("FCA") regulates the Group's activities related to the provision of non-life insurance products, as well as credit and credit related activities to individuals and client companies: Financial Conduct Authority 12 Endeavour Square London E20 1JN

A.1.2 Introduction to key undertakings within the Group

Simplyhealth Group Limited

Simplyhealth Group Limited is a private company that is limited by guarantee. It is the ultimate parent undertaking of a number of subsidiary undertakings. All investments are held either directly by Simplyhealth Group Limited or through 100% controlled subsidiaries.

The Simplyhealth Group is comprised of two principal trading companies: Simplyhealth Access and Denplan Limited. All group companies are supported by a Group management services company, Simplyhealth People Limited who employ all staff within the Group. The Group is based entirely within the United Kingdom with its principal offices in Andover.

Simplyhealth Access

Simplyhealth Access is a private unlimited company with share capital. It is authorised by the PRA and regulated by the FCA and the PRA to conduct non-life insurance business in the UK. All of the share capital issued by Simplyhealth Access is owned by its immediate parents, Simplyhealth Holdings Limited and Simplyhealth Nominees Limited.

Simplyhealth Access operates as a regulated insurer of medical expenses, offering access to a range of health plans for both individuals and corporate customers. It is the UK's leading health cash plan provider, helping policyholders gain access to everyday healthcare. Key benefit categories within the products include services from dentists, opticians, physiotherapists and chiropractors.

Denplan Limited

Denplan Limited ("Denplan") develops, sells, and administers healthcare payment plans which are sold by dentists to their patients. Denplan also distributes dental insurance products underwritten by Simplyhealth Access to individuals, corporate clients and their employees. Denplan is the UK's leading provider of dental plans, and enables customers to budget for preventative dental care, helping to keep teeth and gums healthy and to prevent problems in the future.

In 2022 we completed the divestment of our Dental Joint ventures held by Simplyhealth Partnerships through Denplan.,

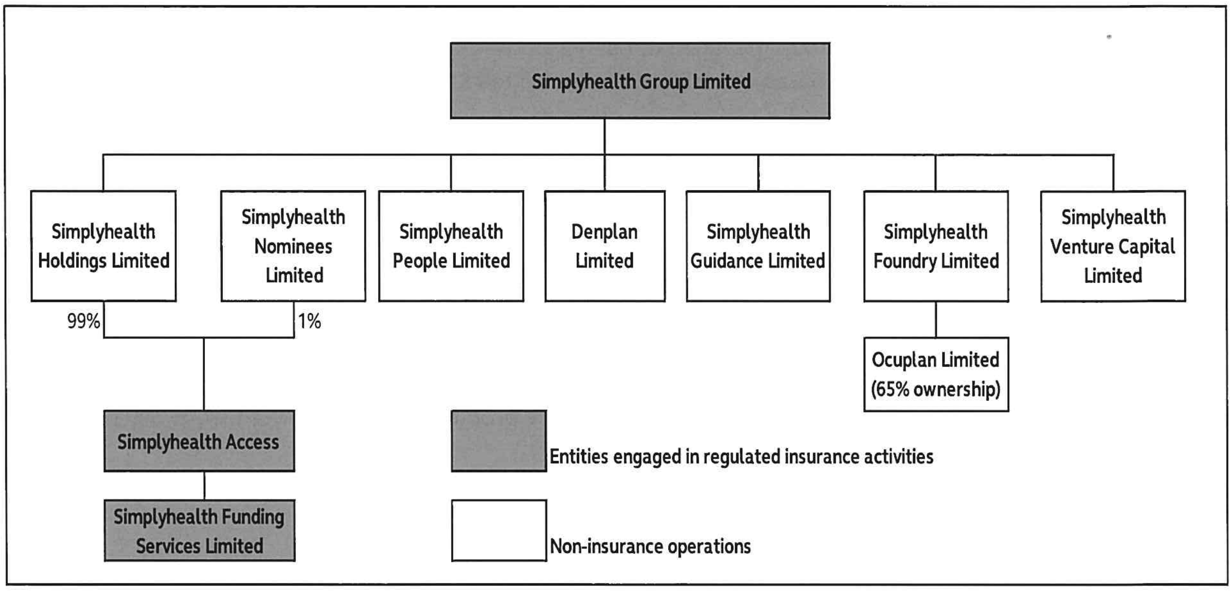
Simplyhealth People Limited

Simplyhealth People Limited employ all of the staff within the Simplyhealth Group and deliver management and administration services to all Group companies.

A.1.3 Legal Structure

Scope of the Group

There are no differences between the scope of the Group used within the consolidated financial statements and the scope of the Group for consolidated data in calculating group solvency in accordance with Article 335 of the Commission Delegated Regulation (EU) 2015/35 ("Delegated Regulation").



Undertakings within the Group (all entities are incorporated in England and Wales)	Company registration number	Principal activity
Trading entities:		
Simplyhealth Group Limited	05445654	Ultimate parent undertaking
Simplyhealth People Limited	05551895	Provision of people for Group activities
Denplan Limited	01981238	Provision of dental scheme administration
Simplyhealth Access	00183035	Provision of insurance services
Simplyhealth Funding Services Limited	03681199	Arrangement of loans to dental practices
Simplyhealth Venture Capital Limited	14143480	Activities of venture and development capital companies
Simplyhealth Foundry Limited	14261445	Activities of venture and development capital companies
Ocuplan Limited	12293810	Specialists medical practice activities
Non-trading entities:		
Simplyhealth Holdings Limited	05603119	Investment holding company
Simplyhealth Nominees Limited	05603124	Investment holding company
Simplyhealth Guidance Limited	10476781	Non-trading

Employees

The average number of employees during the year across the Group was 960 (2021: 1,001) of which 659 (2021: 660) worked in Operations, 301 (2021: 341) worked in Finance and other administrative services.

A.1.4 Significant events during the reporting period

1) During the year, we also recognised that enabling customers to better understand their products will lead to improved usage, satisfaction and retention. To this end, we embarked on a process of reducing, simplifying and ensuring the language used was accessible by all throughout our policy terms and conditions.

Utilising this clarity, a new consumer proposition launched that distilled the essence of Simplyhealth, 1-2-3:

1 – Get Seen; use the policy to speak to a GP 24/7 within 3 hours

2 – Get Healthy; claim back treatment costs quickly and easily

3 – Get Rewarded; as a Simplyhealth member access discounts and special offers curated for our customers

2) During the year, two new business entities were created.

Simplyhealth Venture Capital has been established to invest capital into UK digital healthcare start-ups that will enable them to grow more rapidly and enable early access to their healthcare solutions for our customers. During the year, we made three minority investments, totalling £1.4m, in exciting start-ups that are all well positioned to make a material impact on the UK healthcare sector in the coming years.

Simplyhealth Foundry was created to enable the business to seed, acquire and rapidly grow our own digital business ventures. In March a 65% share of Ocuplan was acquired to deliver improved solutions to those in the UK with long-term chronic eye conditions such as Meibomian gland dysfunction and glaucoma. Toward the end of the year, we commenced our first digital venture build that will come to market during 2023.

3) The financial markets remained volatile in 2022, with bond markets significantly hit given the inflationary environment and the interest rate action taken by central banks. This has led to an unrealised loss on the portfolio of £22.6m. The portfolio remains high quality, with investments expected to return to par value at maturity.

In July 2022, we were proud to be certified as the UK's first Health Insurer to be awarded B Corp status. We've always stood for a healthier world and have been walking the path to do good in the world for decades– which is why we are honoured to be recognised as a B Corp certified Company.

4) To become a certified B Corp (a for-profit Company dedicated to using business as a force for good), companies must commit to achieving high standards of social and environmental performance.

We wanted to become B Corp certified because:

- It is our genuine (and legal) commitment to uphold our purpose, our values and beliefs. To continue to care for our customers, our community, the environment and our colleagues.
- It gives us a framework to measure our actions, hold ourselves accountable and continuously improve our business.
- It provides us with the chance to support other businesses become a force for good. To carry the beacon that others can follow.

A.2 Underwriting Performance

A.2.1 Underwriting performance on continuing operations

All premiums are generated through medical expense insurance activity within the UK, with the exception of £2.0m (2021: £1.7m) where the risk falls predominantly in Gibraltar and the Channel Islands. On the basis of materiality, geographical segmental reporting has not been prepared.

	SHG		SHA	
	2022 £m	2021 £m	2022 £m	2021 £m
Total technical income	213.3	198.2	213.3	198.2
Total claims incurred	(143.8)	(142.6)	(143.8)	(142.6)
Gross margin	69.5	55.6	69.5	55.6
Net operating expenses	(69.5)	(61.7)	(72.2)	(66.0)
Underwriting performance	-	(6.1)	(2.7)	(10.4)
Claims Loss Ratio ("CLR")	67.5%	71.9%	67.5%	71.9%

Total technical income on continuing operations of £213.3m was an increase of £15.1m on income in 2021. The increase includes one-off effect of the return of premiums of £8.3m to customer announced in December 2021 and included in the 2021 results. After adjusting for this, underlying premiums are increased by £6.8m on prior year. The increase reflects growth in the Corporate segment, through both new business and rate increases, offset by reduced volumes in our Consumer segment.

Total claims incurred increased in 2022 by £1.2m. Year on year CLRs (adjusted for the one-off effect of the premium rebate) are reduced at 67.5% compared to 69.1% in 2021. Whilst claims inflation continued during 2022 the effects of this have been mitigated by rate increases on the in-force book of business.

Simplyhealth Access net operating expenses exceed those of the Group as Simplyhealth Access incurs costs in relation to services provided by other Group companies which are eliminated on consolidation. Increases year on year reflect increased marketing costs and staff costs, with the latter due to supporting our colleagues through the cost-of-living crisis.

A.3 Investment Performance

Investment portfolio

The primary objective of our investment portfolio is to preserve capital and provide liquidity, whilst generating a positive return. Our investment portfolio remained primarily in fixed income markets, as we sought to avoid potential higher volatility in equity markets. Investment returns have been significantly impacted by the financial markets' reaction to the UK and wider global economy and the continued recessionary fears, though have outperformed other markets and remain unrealised, as we anticipate recovery in future years.

At the end of 2021 we updated our strategy and chose to adopt a different investment approach, moving an initial £100m of funds to create a growth portfolio with PIMCO Investment Management. This portfolio is split with 50% in a low-risk credit portfolio and 50% in a pooled diversified credit fund. Over time, the expectation is that capital will be withdrawn from the diversified credit allocation, moving the Simplyhealth Group's portfolio to consist predominantly of a low-risk credit portfolio, which will provide liquidity and capital support to the wider portfolio of new ventures. The business has begun to make significant investments into new ventures and will continue to do so over the coming years.

We aspire to have an investment portfolio that has positive social and environmental impacts. This ambition will continue to be reviewed in a manner appropriate to market conditions (risk and return) and the speed at which investment funds are able to demonstrate and evidence suitable ESG reporting.

A.3.1 Investment performance during the year

Investment returns (net of investment management fees) reported losses of £23.1m (2021: profits of £0.4m), reflecting an adverse variance of £23.5 year on year. The tables below include returns from investments in subsidiary undertakings for Simplyhealth Access.

Our investment portfolio remained primarily in fixed income markets, as we sought to avoid potential higher volatility in equity markets. Investment returns have been significantly impacted by the financial markets' reaction to the UK and wider global economy and the continued recessionary fears, though have outperformed other markets and remain unrealised, as we anticipate recovery in future years.

SHG:					**2022**					**2021**
	Debt Instruments	Collective Inv. Schemes	Derivatives	Other	**Total**	Debt Instruments	Collective Inv. Schemes	Derivatives	Other	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Income from investments at fair value through profit or loss	1.0	-	-	-	**1.0**	1.9	-	-	-	**1.9**
Income from investments not at fair value through profit or loss	-	-	-	0.8	**0.8**	-	-	-	0.2	**0.2**
Gains / (losses) on realisation of investments	(2.6)	-	0.3	0.1	**(2.2)**	(2.4)	-	2.6	-	**0.2**
Movement in unrealised gains / (losses) on investments	(5.8)	(17.2)	0.2	1.0	**(21.8)**	(4.0)	0.1	(0.7)	3.3	**(1.3)**
Investment charges and expenses	-	-	-	(0.9)	**(0.9)**	-	-	-	(0.6)	**(0.6)**
Net investment returns	**(7.4)**	**(17.2)**	**0.5**	**1.0**	**(23.1)**	**(4.5)**	**0.1**	**1.9**	**2.9**	**0.4**

SHA:	2022					2021				
	Debt Instruments	Collective Inv. Schemes	Derivatives	Other	**Total**	Debt Instruments	Collective Inv. Schemes	Derivatives	Other	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Income from investments at fair value through profit or loss	1.0	-	-	-	**1.0**	1.9	-	-	-	**1.9**
Income from investments not at fair value through profit or loss	-	-	-	0.8	**0.8**	-	-	-	-	**-**
Gains / (losses) on realisation of investments	(2.6)	-	0.3	0.1	**(2.2)**	(2.8)	-	2.6	(0.1)	**(0.3)**
Movement in unrealised gains / (losses) on investments	(5.8)	(17.2)	(0.2)	0.6	**(22.6)**	(3.5)	0.1	(1.1)	-	**(4.5)**
Investment charges and expenses	-	-	-	(0.9)	**(0.9)**	-	-	-	(0.6)	**(0.6)**
Net investment returns	**(7.4)**	**(17.2)**	**0.1**	**0.6**	**(23.9)**	**(4.4)**	**0.1**	**1.5**	**(0.7)**	**(3.5)**

A.4 Performance of other activities

A.4.1 Other material income and expenses

The following material income and expenses were incurred from other activities during the reporting year:

1. Other income and charges include the consolidated results from the non-insurance companies within the Group. Denplan Limited is a major contributor to this through its administration of capitation plans within the dental market.
2. Following the sale of The Animal Healthcare Ltd in 2020 the carrying value of the convertible loan made on sale was reviewed and increased and the previously recorded impairment of £4.1m was reversed in 2021. The asset saw an increase in fair value of £0.8m in 2022.
3. Amortisation charged in the year relates totals £0.8m and relates solely to computer software assets whilst the prior year charges of £12.0m include charges of £11.5m in relation to goodwill on consolidation which was fully amortised in 2021.

There were no other significant items of income or expense recognised as comprehensive income in the year.

A.4.2 Material leasing arrangements

Payments in respect of operating leases are charged to the statement of comprehensive income on a straight-line basis over the term of the lease, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term. Simplyhealth is obligated to the following minimum lease payments under non-cancellable operating leases as at 31 December 2022:

	SHG £m	SHA £m
- within one year	0.2	-
- between one and five years	0.3	-
- in more than five years	-	-
Total	**0.5**	**-**

A.5 Any other information

There is no other material information to disclose in respect to the business or performance.

B. System of Governance

B.1 General information on the system of governance

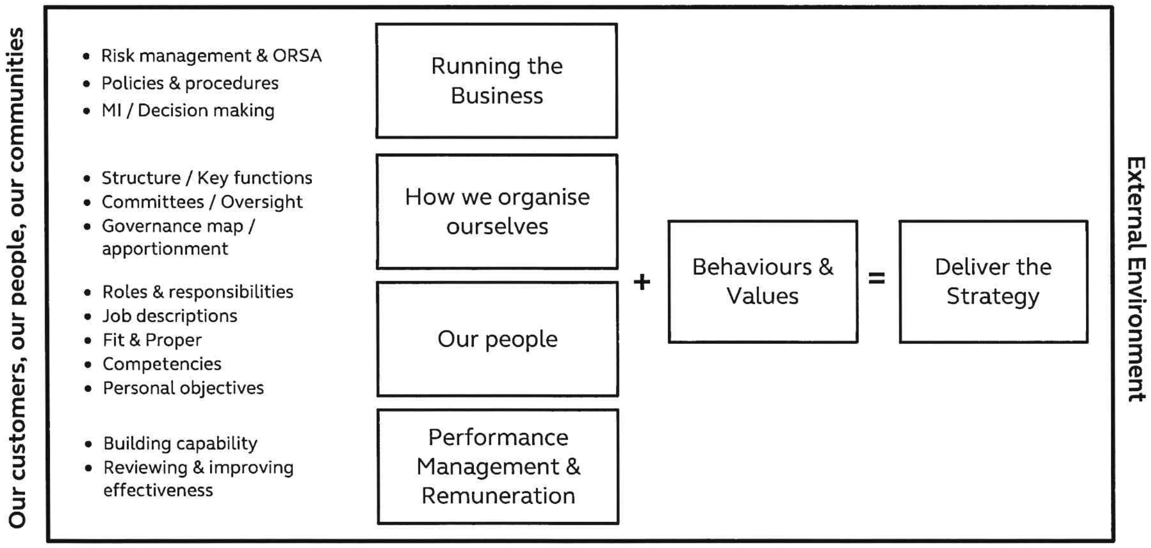
B.1.1 Incorporation and constitution

Simplyhealth Group Limited is a company limited by guarantee. The Memorandum and Articles of Association of Simplyhealth Group Limited defines the purpose of Simplyhealth, the responsibilities of its Directors and the relationship between Simplyhealth and its voting members.

Simplyhealth is committed to mutual values and to re-investing retained profits for the benefit of its customers, its people and the communities in which it operates, we are committed to pledging a minimum of £1m per annum to deliver Healthier Futures. The Group's purpose is striving to improve access to healthcare for all. Accordingly, the system of governance is designed to ensure that the Group and its constituent parts are well positioned to continue to deliver this purpose while effectively managing the risks associated with the underlying business activities. The system of governance is reviewed annually by the Board.

As the Group has neither shareholders nor a requirement to distribute profits to members, the roles of voting members and the Board of Directors in providing effective governance are particularly important. The Group Constitution, as illustrated below, provides an overview of the principles of the system of governance and how it is a foundation for the delivery of the Group's strategy.

Simplyhealth Group Constitution – Memorandum & Articles of Association



Successful & strong

B.1.2 The Voting Members

The Group is governed by its voting members who have no beneficial interest in, or rights to, its assets. The voting members have the responsibility to exercise their membership rights, including voting rights, with a view to promote the objects of Simplyhealth in the best interest of the Group and its customers (present and future) as detailed in the Memorandum of Association.

The Group's voting members make decisions at its general meetings by ordinary or special resolutions.

B.1.3 The Board of Directors

The directors who served during the year and up to the date of approval of this report were:

G Baldwin	Non-Executive Chair	
T Dunley-Owen	Non-Executive Director	
R Gillies	Chief Operating Officer	(resigned 30 September 2022)
M A Hall	Non-Executive Director	
S Khemka	Chief Executive Officer	(resigned 10 February 2023)
J Knott	Non-Executive Director	
D S Lawrence	Non-Executive Director	
N J Potter	Chief Financial Officer and Acting Chief Executive Officer	
M C Stead	Non-Executive Director	

The company secretary who served during the year was:

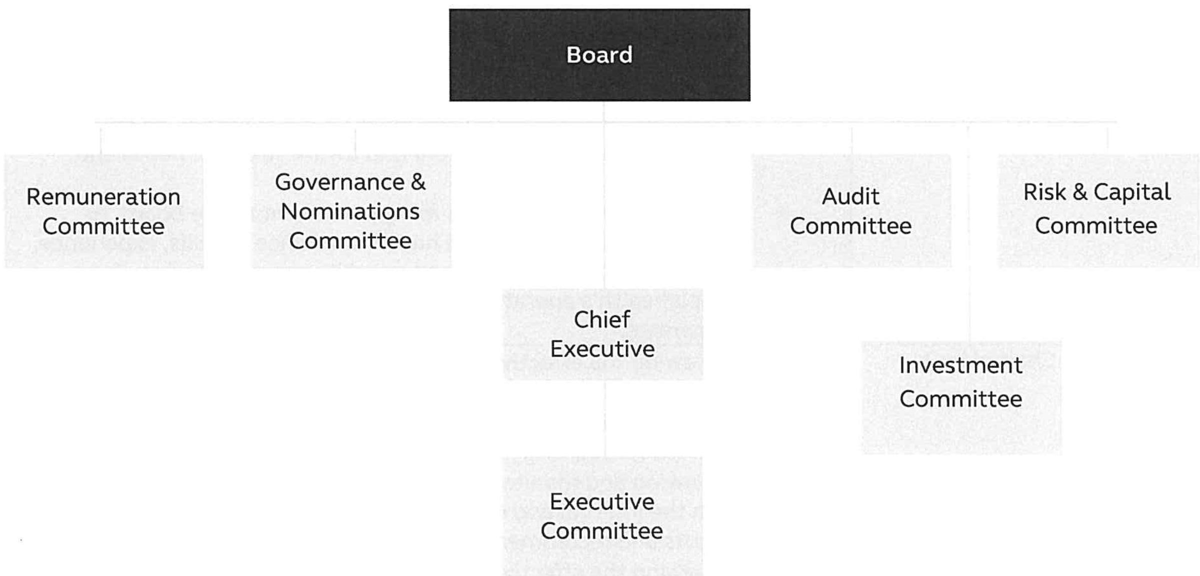
D Pugh	Company Secretary

B.1.4 Governance Structure

The Group's decision-making and organisational structure support the effective governance of the business in meeting its strategic goals, the effective delivery of excellent levels of service to its customers, and its operation within applicable regulations. The governance model is designed to be proportionate to the nature, scale and complexity of the risks facing the Group.

The Board assesses and regularly reviews the ethical and economic position of the business and considers significant changes affecting factors such as the organisation, operations, customers, external environment, the financial position and the risk profile of the Group. This oversight is provided through the operation of Board Committees.

B.1.5 The Simplyhealth Group committee structure



The role of the Board

The Board is collectively responsible for ensuring Simplyhealth is successful for the benefit of our stakeholders, setting Simplyhealth's strategic direction, providing entrepreneurial leadership, and overseeing the effective management of key risks faced by the business.

As set out in a Matters Reserved for the Board policy, the Board is accountable for ensuring effective governance, overseeing financial control of the business, ensuring that investments are managed properly, that all material business risks are managed, and that funding is allocated efficiently and according to capital adequacy requirements. It is also accountable for ensuring that we stay true to Our Purpose.

The Board assesses and regularly reviews the ethical and economic position of the business and considers significant changes affecting factors such as the organisation, operations, customers, external environment, the financial position and risk profile. On 31 December 2022, the Board comprised of two executive directors and six non-executive directors, including a non-executive Chair. Subsequent to that date, following the resignation of the Chief Executive Officer (CEO), the role of CEO is being fulfilled on an acting basis by the current Chief Financial Officer. The Board periodically reviews its composition and succession planning framework to ensure that appointments create an appropriate mix of skills and experience, and a level of diversity and independence that supports the Simplyhealth Group's objectives.

To assist the Board in carrying out its duties, the Board delegates some of these responsibilities, although not accountability, to a number of Board Committees and to the Chief Executive Officer. The Board Committees operate under delegated authority from the Board, enabling specific matters to be considered in depth and reported back to the Board and, where appropriate, making recommendations for final decision by the Board.

The key Board Committees and their responsibilities are:

Committee/Chair	**Responsibilities**
Remuneration Committee – Chaired by M A Hall	• Developing and recommending to the Board the remuneration principles (including performance- related pay principles) for the Chief Executive, Executive Directors, Company Secretary and the Exco ('the Executive'), and the Chair. • Approving the total individual remuneration packages, including performance related pay for the Executive. • Setting and reviewing the principles and parameters of the remuneration policy for the whole Group.
Governance & Nominations Committee – Chaired by G Baldwin	• Evaluating and monitoring the governance framework, including the governance structure and governance principles, to ensure they meet the Group's current and future strategic needs and support best practice. • Recommending candidates for appointment to the Board, to ensure that collectively, we have the balance of skills, experience, independence, knowledge and diversity appropriate for Simplyhealth's operations and the regulated environment in which it operates.
Audit Committee – Chaired by T Dunley-Owen	• Reviewing the effectiveness of the system of control for managing financial and non-financial risks. • Monitoring the integrity of the financial statements, including significant reporting judgements contained within them. • Reviewing and monitoring the effectiveness and objectivity of both the internal and external audit function and reviewing their reports and recommendations. • Reviewing the effective implementation and operation of regulatory requirements and obligations. • Reviewing and recommending for Board approval the actuarial function holder report.

Committee/Chair	Responsibilities
Risk & Capital Committee – Chaired by J Knott	• Overseeing, understanding and reviewing the Group's risk profile and advising the Board on principal risk exposures and future risk strategy, including recommending the levels of key risk appetite for the business. • Ensuring that future capital requirements of the business are appropriately and adequately considered and planned for over the business horizon. • Overseeing and advising the Board on the embedding and maintenance of a suitable risk management culture in Simplyhealth, in accordance with the risk management framework. • Reviewing the reporting, recommendations and effectiveness of the Chief Actuary in relation to Underwriting Risk, Pricing and role of the Second line and management responses to issues raised. • Reviewing and recommending for Board approval the actuarial function holder report (other than in respect of matters relating to reserving).
Investment Committee – Chaired by D Lawrence	• Assessing and recommending any investment proposals to the Board for approval. • Providing oversight of the performance of the Simplyhealth Venture Capital Limited (SHVC) team, function and investment portfolio performance. • Approving any stage-gated investments into Simplyhealth Foundry Limited (SHF) companies in line with the Business Plan as approved by the Board. • Reporting to the Simplyhealth Board on at least an annual basis, with a review of the performance of SHVC and SHF portfolio companies. • Recommending for Board approval the disposal of SHVC portfolio companies. • Approving the investment and divestment criteria for SHVC and SHF and monitoring the organisation's performance against it.

During the year, we have refreshed the terms of reference for each Board Committee and the Delegations of Authority Framework that underpins decision-making across the organisation. This has been designed to support effective and swift decision-making whilst ensuring appropriate oversight and challenge of material decisions by the Board.

Chief Executive delegated authority

The Board is responsible for overseeing the setting and delivery of the strategy. It delegates the responsibility for implementing this strategy in accordance with our purpose to the Chief Executive Officer, who in turn delegates defined levels of responsibility for strategic and operational decision-making and oversight to members of the Executive Committee.

The Executive Committee members hold Senior Management Functions and are therefore formally approved by the PRA and/or the FCA in relation to their specific roles, where required.

The Executive Leadership Team

The Executive Committee now comprises the CEO, Chief Financial Officer, Chief Product & Commercial Officer, Chief Customer Officer, Chief Risk Officer, Chief People Officer, Chief Digital and Technology Officer, Chief of Staff & Head of Strategy and the General Counsel & Company Secretary.

Its responsibilities include:

- Formulating (for Board approval), reviewing, communicating and managing the delivery of the Group's strategy, taking into account Simplyhealth's purpose, risk profile, capital requirements and solvency position.
- Leading performance across the Group, including operational, financial and people matters, reporting results to the Board and its committees as required.
- Maintaining an effective organisational structure which supports delivery of strategic and operational plans and manages succession planning for key roles.
- Responsibility for the oversight and challenge to the overall risk profile of the business, including management responses to key risks and issues, ensuring the Group maintains an effective internal control framework, which supports compliance with relevant legislation and regulations.
- Setting and monitoring the desired culture across the organisation.

B.1.6 Key control functions

The Group's key control functions are Risk Management, Compliance, Actuarial and Internal Audit. The Risk Management and Compliance functions are led by the Chief Risk Officer (CRO). The Actuarial Function is outsourced to Milliman LLP, with a named professional within that firm performing the role of Chief Actuary. The Chief Actuary reports to the Chief Financial Officer, whilst the ultimate responsibility of the role is to the Board.

In January 2021, Simplyhealth appointed PwC and a named individual to perform the role of Head of Internal Audit. This arrangement has subsequently been reviewed and an internal employee has been appointed and regulatory approval was received in January 2023.

These functions play an integral role in the system of governance as they provide oversight, challenge and independent assurance of the activities performed by the business to ensure risks are being managed appropriately.

Further descriptions of these functions' roles, responsibilities and resources are provided in sections B.3 (risk management system), B.4 (internal control system), B.5 (actuarial function) and B.6 (internal audit function).

B.1.7 Material changes in the system of governance

To enable Simplyhealth to respond to opportunities and threats in an efficient and informed manner, we continuously review and evolve our risk and control environment, ensuring it remains aligned to our strategic direction and external risk environment.

During 2022, we have made significant improvements to our risk management and internal control frameworks, including through the implementation of a new Governance, Risk & Compliance (GRC) solution to support consistent and centrally-visible assessments of risk and control performance. We concluded the review of our critical control environment, which has improved the integrity of our control library and embedded this in our assurance planning across the three lines of defence.

In accordance with regulatory developments, we have made progress in implementing the FCA's new Consumer Duty requirements, including defining metrics against the four Consumer Duty outcomes to enable Simplyhealth to demonstrate that good outcomes are provided to customers and intervene where needed. We are also further developing our Operational Resilience framework, utilising new data sources and scenarios to validate our resilience against severe, yet plausible scenarios, as well as continuing to review the financial risks of climate change and the risks and opportunities presented by our ESG strategy.

B.1.8 Remuneration policy

B.1.8.1 Overarching approach to remuneration

The Group's remuneration policy is designed to reward the successful achievement of business objectives and incentivise individuals to deliver these in a responsible and appropriate way. This is achieved by offering a market-competitive reward structure which supports the Group's proposition as an employer of choice that is conducive to the Simplyhealth brand. The remuneration policy applies to all entities and employees, including the Executive Directors.

Reward comprises a number of separate elements including individual base pay, company performance bonuses and a choice of employee benefits. The proportion of fixed versus variable remuneration at different levels within the organisation is carefully considered to ensure there is not an over-reliance on variable remuneration and that remuneration does not incentivise an individual to take risks or act in a manner which is not in the long-term interests of the Group or its stakeholders. Remuneration arrangements are recorded at an individual bonus scheme level, demonstrating how they link to the Group's Remuneration Principles and its alignment to the business strategy and risk appetite.

All bonus schemes are based on both collective and individual performance and behaviours. The amount paid on all bonus schemes is determined at the end of the financial year having reviewed business performance results and the capital adequacy position. Bonuses would be at risk if there were shortfalls in performance or in the management of risk.

B.1.8.2 Directors' Remuneration Policy

Policy

The Group recognises the importance of the Board of Directors in setting the values and direction of the Group. In order to attract and retain Directors with the required skills and experience, the Group must be competitive in the rewards offered to its Directors, while ensuring that their remuneration promotes the long-term success of the Group. All rewards are set by the Remuneration Committee, comprised of Non-Executive Directors of the Board, after comparison with market data received from external consultants.

Non-Executive Directors

The role of the Non-Executive Directors is to provide challenge and advice, and to oversee the performance of the Group. Simplyhealth therefore regards it as inappropriate that they should be financially incentivised on the Group's profitability or other financial performance measures. Each Non-Executive Director is paid a fee, with further allowances paid to those who take on extra roles, such as chairing one of the Board sub-committees, or acting in the capacity of Senior Independent Director.

The Non-Executive Directors are not employees of any company in the Simplyhealth Group and are appointed to three-year terms. It is normal company policy to rotate the Non-Executive Directors in order that they retain their independence and objectivity.

Executive Directors

The role of the Executive Directors is to run the Group on a day-to-day basis and Simplyhealth therefore regards it as essential that they are incentivised to meet its business goals. It is the Group's belief that each Executive Director must deliver and contribute to the overall success of the business and work effectively within the Executive Team, as they cannot deliver alone. Therefore, they are rewarded on both personal and collective performance. Executive Director remuneration is made up of the following elements:

- Salary and benefits – which are contractual as an employee of the Group and are set competitively against market norms. Salary will not be increased in line with market norms where individual performance and leadership behaviours are not at the level required for successful stewardship of the business.
- Annual bonus – the level of which is decided based on the achievement of the overall business objectives for the year and the individual performance and leadership behaviours of the Executive.
- Long Term Incentive Plan – The Group operated three LTIP schemes during the year. The 2018-2024 scheme was based on the achievement of business objectives over a seven-year period and was open to the company's directors, the scheme was closed in January 2022. The 2021-2023 scheme continues, and a new 2022-2024 scheme was introduced this year. These two schemes offer directors and key management staff an incentive to take decisions in the long-term interest of the business and to promote a sustained improvement in the medium to long term performance and to retain key talent. The two open schemes are currently accruing at 50% of target.

The Executive Directors are permanent employees and employment continues until terminated by either party under the terms of the contract of employment. The notice period of these contracts is either six or twelve months.

Pay and benefits in the year

The following amounts are paid or payable to the Directors for their service during the year:

Figures are in millions of pounds

The directors' emoluments were as follows:	**2022**	**2021**
Aggregate emoluments	1.7	1.6
Aggregate emoluments receivable under long-term incentive schemes	(0.2)	(0.1)
Compensation for loss of office	0.3	0.1
Benefits	0.1	0.1
Total directors' emoluments	**1.9**	1.7

The highest paid director's emoluments were as follows:	**2022**	**2021**
Aggregate emoluments including receivable under long-term incentive schemes	0.5	0.7
Compensation for loss of office	-	-
Benefits	-	-
Total highest paid director's emoluments	**0.5**	0.7

Key management includes the directors and members of senior management. The compensation paid or payable to key management for employee services is shown below:

Key management compensation was as follows:	**2022**	**2021**
Salaries and other short-term benefits	1.7	1.3
Aggregate emoluments receivable under long-term incentive schemes	0.1	0.1
Total key management compensation	**1.8**	1.4

B.1.8.3 Pension contributions

During the year £36,667 (2021: £nil) was paid on behalf of an Executive Director in respect of pension contributions.

The other Executive Directors have opted to receive a cash payment in lieu of further pension contributions.

B.1.9 Material related party transactions

There were no related party transactions during the year.

B.2 Fit and proper requirements

The Group's fitness and propriety policy reflects the Senior Managers & Certification Regime's (SM&CR) fit and proper requirements. The Group ensures that the persons accountable for the running of Simplyhealth have the following required attributes to enable them to perform their role effectively and in accordance with any relevant regulatory requirements:

1. Personal characteristics, including being of good repute and integrity;
2. Competence, knowledge and experience;
3. Qualifications;
4. Has undergone or is undergoing the required level of training; and
5. Is regarded as a custodian for the benefit of future generations.

The Governance and Nominations Committee ensures the Board and Senior Managers collectively possess appropriate qualifications, experience and knowledge about, at least, the following:

- Insurance and financial markets;
- Business strategy and business model;
- Solvency II requirements for the system of governance;
- Financial and actuarial analysis; and
- Regulatory framework and requirements.

The Group employs the following procedures to assess an individual's fitness and propriety:

- Competency-based recruitment processes;
- Induction programme, including specific briefings for Senior Managers;
- Background checks, including criminal records, credit references and employment references, through an external agency;
- Performance against the applicable PRA Conduct Standards and FCA Conduct Rules;
- Regular performance reviews and assessments carried out at least annually; and
- Self-attestation annually.

With respect to the appointment of the Senior Managers, both Simplyhealth and the individual concerned are required to declare that the information supplied in support of the application is accurate and complete to the best of their knowledge. The PRA and FCA will validate the information provided against their records.

Senior Managers receive a briefing from Simplyhealth on appointment and annually thereafter on the Senior Management and Certification regime which is designed to inform them of the following:

- Their role and responsibilities;
- The objectives of the PRA and FCA;
- The high-level regulatory requirements applicable to the regulated business of Simplyhealth;
- How individual fitness and propriety is assessed;
- Where individual accountabilities are documented;
- When the regulator might take enforcement action; and
- The changes that need to be notified to the regulator.

Persons approved to perform a controlled function are required to maintain their 'fit and proper' status.

B.3 Risk management system including the ORSA

B.3.1 The role of risk management

The Board and the Executive Committee ('Exco') consider risk management to be a fundamental part of Our Purpose and a significant aspect of corporate governance. The effective management of risk is central to our culture and decision-making and provides an essential contribution towards the achievement of our strategy.

The Board is ultimately responsible for overseeing and maintaining the adequacy and effectiveness of the risk management and internal control systems. The Board is responsible for determining the nature and extent of risk the Simplyhealth Group is willing to take in achieving its strategic objectives, including the setting of the Simplyhealth Group's overall risk appetite. The Board delegates oversight and scrutiny of risk management to the Risk and Capital Committee, who regularly report up to and provide recommendations to the Board

The day-to-day responsibility for implementation and maintenance of the internal control system rests with Simplyhealth's various senior management functions as defined under the Financial Conduct Authority's ('FCA') and Prudential Regulation Authority's Senior Managers and Certification Regime ('SMCR'). Second Line oversight and challenge of Simplyhealth's risk management and reporting processes rests with the Group Risk function. The consolidated risk report produced by this function is firmly embedded in the management and Board reporting. This report enables the monitoring of risk-taking measured against agreed risk limits, using a suite of Key Risk Indicators linked to risk appetite.

We have a comprehensive Enterprise Risk Management Framework ('Risk framework') and Internal Control Framework that collectively stipulates the minimum standard for risk management and internal control for the Simplyhealth Group. In turn, this enables reasonable assurance to be provided to the Exco, Board and external stakeholders that Simplyhealth is achieving its risk management and internal control objectives.

The effectiveness of the Risk framework is independently assessed as part of the programme of activity carried out by the Internal Audit function in the Third Line of defence, the results of which are reported to the Audit Committee.

B.3.2 Risk management approach

We adopt a responsible and balanced approach to risk-taking, so that significant risks are identified and managed. This supports long-term sustainability and growth and enables the Simplyhealth Group to respond dynamically to strategic opportunities, whilst maintaining an appropriate and proportionate approach to running the business.

Our approach to risk management consists of the following components:

- Agreement of Board risk appetite statements in relation to defined risks, which sets the principles, preferences and high-level measures for the level of risk the Simplyhealth Group is willing to accept.
- A risk management system, which ensures that all principal and enterprise risks are identified, assessed and managed in accordance with the Enterprise Risk Management framework.
- Regular risk monitoring and reporting, ensuring any material risk is assessed and management action agreed on a timely basis.
- A defined and embedded critical control library, ensuring timely testing of control performance across the three lines of defence
- An effective risk and control culture, which is focused on the sustainability of Simplyhealth, risk awareness, ethical behaviour and the fair treatment of customers and employees.

B.3.3 Risk management framework

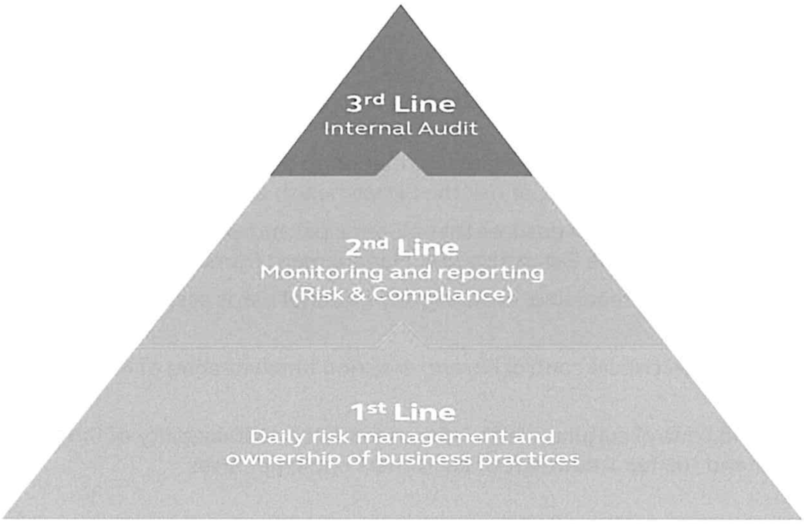
The Group maintains a risk management framework which links our operating environment, business strategy, decision-making and capital management, alongside defined risk appetites.

The framework sets out the processes involved in the identification, assessment, mitigation, monitoring and reporting of risk, required to meet the Group's commercial, strategic and regulatory objectives, including the requirements of the UK financial services regulators and the Solvency II Directive.

The responsibilities for overseeing each of our principal and enterprise risks is aligned to our Performance & Governance Framework, with each committee having a responsibility for ensuring the effective oversight of nominated risks.

B.3.4 Three Lines of Defence

The Group has adopted the 'Three Lines of Defence' operating model to define risk management accountability within roles and responsibilities.



First Line of Defence

- Performs risk management activities in line with risk standards, including ensuring adequate assessment of both the risk and control strategy.
- Includes the day-to-day management of risk as well as risk-based decision-making within risk appetite.
- Establishes and reports against a range of key risk and control indicators.
- Proactively monitors the risk and tests critical controls relevant to their part of the business in line with control standards.

Second Line of Defence

- Responsible for developing and overseeing the Simplyhealth Group risk management strategy, the framework for identifying and managing risk, and the risk standards which support the Simplyhealth Group operating within its risk appetite.
- Responsible for developing and overseeing the Internal Control Framework, setting minimum standards for the testing of critical controls.
- Supports the setting of Board Risk Appetite, and monitors business adherence to the associated statements and measures.
- Acts as a business partner, helping the business analyse risk-taking against risk appetite to better support the strategic direction of the business.
- Regulatory and legislative horizon scanning, the interpretation of new and changed requirements, and advice and challenge to the organisation regarding compliance risk.
- Monitors the key processes, risks and controls being managed and delivered by the First Line.
- Performs evaluations of risk management effectiveness against a range of external benchmarks.

Third Line of Defence

- Provides objective assurance over the effective and efficient operations of the roles, responsibilities and activities of the first and second lines via an audit plan approved by Audit Committee.
- The provision of internal audit reporting to the Audit Committee.

B.3.5 Risk governance

The Board is responsible for setting Simplyhealth's strategy and defining its risk appetite. The Board delegates oversight of the effectiveness of Simplyhealth's risk management processes to the Risk and Capital Committee.

The day-to-day oversight and challenge of the Group's risk management and reporting processes rests with the Group Risk Function. The Risk Function produces an enterprise level risk report each quarter, consolidating the risk performance of the Group and enabling debate, monitoring and challenge as to the adequacy of risk treatment when measured against risk appetite. The effectiveness of the risk management and internal control framework subject to independent assurance by the Internal Audit function, who reside in the third line of defence and report to the Audit Committee.

Developments in the risk and control environment

We continue to evolve our risk and control environment to ensure it is aligned to our strategic direction and external risk environment to enable appropriate responses to opportunities and threats.

We have made significant improvements in our risk and control environment over the last twelve months, most notably through the implementation of a governance, risk and compliance (GRC) solution, the approval of a new internal control framework and the documentation of our critical control library. This library provides us with a comprehensive view of the most important controls in managing the risk to our business and enables centralised oversight of control performance and testing.

We have also introduced a new policy governance framework, bringing enhanced oversight of our company policies, ensuring that they continue to be updated and maintained in accordance with their review cycles. To support the organisation's risk-informed decision-making processes, a new Own Risk & Solvency Assessment model was introduced, which greatly improves our ability to efficiently evaluate the capital implications of strategic decisions.

Further enhancements have been made, including the continued refinement of our Performance & Governance Framework and the ongoing maturing of our Operational Resilience Framework, in accordance with regulatory expectations. We continue to evolve our risk, control and governance in alignment with our business strategy.

B.3.6 Risk management function

The risk management function is required to:

- Facilitate the execution of the risk-management framework;
- Assist the Board and other functions in the effective operation of the risk management system;
- Monitor and report on the risk profile of the organisation;
- Report to the Board via the Risk and Capital Committee on material risks;
- Advise the Board on risk management matters, including in relation to strategic affairs such as corporate strategy, mergers and acquisitions and major projects and investments;
- Identify and assess emerging risks;
- Co-operate closely with the other assurance functions, including Compliance, Actuarial and Internal Audit and
- Implement and oversee the ORSA process.

B.3.7 Principal risks and uncertainties

The overall risk profile is determined by:

- The environment in which Simplyhealth does business; in particular competitor activity in the healthcare market, the changing health needs and claiming behaviour of customers, regulatory changes and an uncertain economic environment; and
- The business strategy, which focuses on developing existing businesses, creating new propositions to meet the changing needs of our customers, and delivering sustainable returns.

The primary risk exposures under Solvency II are underwriting risk, market risk, credit risk, insurance operational risk, liquidity risk, non-insurance profit risk and non-insurance operational risk. To ensure we appropriately manage the key risks to the business, we have categorised our risk exposures into four principal risks and a number of more granular enterprise risks, those individual risks that if crystalised could pose a risk to the delivery of the strategy. These risks and the Group's management of those are monitored at key executive and board committee's including Risk and Capital and Audit Committee. Further details on our risk profile and management of these risks are given in note 4 to the financial statements and in section C of this report.

B.3.8 ORSA

The ORSA is an important part of the strategic and decision-making process and has two primary purposes:

- To assess the capital requirements of SHG and SHA and to validate the appropriateness of the Solvency Capital Requirement (SCR) derived from the Standard Formula.
- To demonstrate that Simplyhealth remains well capitalised throughout the planning period and in the event of severe, yet plausible events.

As described in section B.3.5, a new ORSA model has been introduced this year to improve the efficiency of the ORSA processes, enabling more timely capital analysis to support risk-informed decision-making. This new model also reduces our reliance upon third-party support.

This year's ORSA included the following scenarios, which were based upon Simplyhealth's key risk drivers and key strategic risks and represent a proportionate means of testing our solvency position against the key vulnerabilities within our business model:

- Business Downside – An adverse performance aligning to the downside scenario modelled in the business plan
- Severe Business Downside – A further stress against the business plan, with more severe impacts to CLR, expenses, new business and lapses
- Market risk – A 1:20 loss on the proposed investment portfolio, with no return on Venture investments in the planned period
- Regulatory censure – A breach of Consumer Duty requirements, following a systemic failure in our renewal process
- IT security breach – Ransomware attack impacting one of our policy management platforms

A reverse stress test was also conducted to evaluate the extent to which our key risk drivers would need to be stressed before reaching business failure, defined internally as the solvency ratio deteriorating to less than 100%.

This report showed that Simplyhealth is expected to remain highly solvent throughout the planning period, including when faced with severe, yet plausible events.

Review and Approval
The Board has ultimate responsibility and accountability for risk in the organisation. It plays an active part in the development of the ORSA, which includes initial steering as to how the ORSA approach is designed, and regular challenge on risk identification, management and mitigation.

The general approach to the new ORSA model, including benefits and limitations, was approved by the Risk & Capital Committee in June 2022. Following development, the model assumptions and scenarios were approved by the Group Finance Committee in September. The full ORSA report approved by the Board in December, following recommendation by the Risk & Capital Committee.

B.4 Internal control system

B.4.1 Internal control system

Simplyhealth has developed an Internal Control Framework for the effective management of its internal control environment. It sets out the principles for designing, implementing, and evaluating internal controls across the organisation and supports the risk management principles defined within the Enterprise Risk Management Framework (ERMF).

The framework is designed to provide insight and clarity into the key risks faced by the organisation and whether these are effectively managed in accordance with the Board risk appetite, through a combination of documentation, testing, reporting and continual review.

The Board is ultimately responsible for overseeing and maintaining the adequacy and effectiveness of the risk management and internal control systems. This oversight involves the participation of the Board, The Executive Committee, the Audit Committee, the Risk & Capital Committee, Group Risk, Group Compliance, Legal, Internal Audit, the Chief Actuary, and senior management. The day-to-day responsibility for implementation and maintenance of the internal control system rests with Simplyhealth's various Senior Manager Functions under SMCR.

B.4.2 Risk and Compliance Assurance Function

The Chief Risk Officer (CRO) leads the Group Risk, Group Compliance and Group Privacy functions. The CRO has a formal reporting line to the CEO, but there are open communication lines with the non-executive directors. The CRO has private meetings with the Chair of the Risk & Capital Committee and Chair of Audit Committee without the presence of executive directors. The Group Risk function is responsible for developing and overseeing the framework for identifying and managing risk across the Simplyhealth Group.

The Group Risk function is responsible for ensuring the Board understands, maintains visibility of and challenges the key risks which the Simplyhealth Group is subject to, facilitated on a quarterly basis with a formal risk report presented to the Risk and Capital Committee. The Group Risk function owns and manages the delivery of the ORSA and is also responsible for managing the Simplyhealth Group's exposure to Fraud and Financial Crime.

The Group Compliance function is responsible for the identification, interpretation, and assessment of emerging and current regulatory and conduct risks, which may impact the Simplyhealth Group. The possible impact of changes to the regulatory and legal environment is considered on an ongoing basis and reported to the Executive Committee, Audit Committee and Board.

The Group Privacy Function is responsible for ensuring that the organisation is aware of and able to adopt all relevant data protection requirements. This function also provides oversight of adherence to these requirements, providing regular reporting to senior management, and manages communication with the Information Commissioners Office (ICO). These functions, in addition to their advisory roles, provide assurance through Compliance Monitoring or Risk Reviews as to the extent to which regulatory requirements and good outcomes are met, and critical controls are performing as expected.

Key procedures

- The delivery of a risk based annual Assurance Plan to assess the effectiveness of internal processes and critical controls in key areas of the business.
- Regulatory and legislative horizon scanning, the interpretation of new and changed requirements, and advice and challenge to the organisation regarding compliance risk.
- Regular and ad hoc provision of advice, reporting and assurance to the Board, Audit Committee and Risk & Capital Committee's on risk management, legal, regulatory and compliance matters.
- A risk-based review of key risks and controls in the Group is conducted throughout the year as part of the Risk & Control Self-Assessment, the outputs of which are reported to Risk & Capital Committee.

B.4.3 Policy on bribery and corruption

Simplyhealth condemns corruption in all its forms. It is our policy to conduct all of our business in an honest and ethical manner. We take a zero-tolerance approach to bribery and corruption and are committed to acting professionally, fairly and with integrity in all our business dealings and relationships.

Any employee who breaches this policy faces disciplinary action, which could result in dismissal for gross misconduct. Any non-employee who is engaged by the Group and breaches this policy may have their contract terminated with immediate effect. Breaches of this policy may also amount to a criminal offence, punishable by fine or imprisonment.

Monitoring and enforcement of the policy is undertaken by the Group's legal team and is administered in accordance with the Group's Whistleblowing Policy, which is clearly communicated to all staff.

B.5 Internal audit function

B.5.1 Internal Audit

The Internal Audit function provides independent, objective assurance to the Board, the Audit Committee, and all levels of management on the internal control environment at Simplyhealth. The Internal Audit Charter provides the framework for achieving this by setting out the objectives, scope, responsibilities, authority, independence, and accountability for the Internal Audit function.

The Internal Audit function owns the Internal Audit Plan, which is approved and overseen by Audit Committee. The plan articulates how the Internal Audit function will provide assurance over the effectiveness of key processes, systems, and controls.

B.5.2 Independence and objectivity of the Internal Audit function

The HoIA formally reports to the Chair of the Audit Committee and there are open communication lines between the HoIA and non-executive directors. The HoIA has private meetings with the Chair of the Audit Committee and non-executive directors without the presence of Executive directors. There is an administrative link to the CRO but, to avoid any conflicts of interest, the CRO has no day-to-day involvement in the activities of the team.

B.6 Actuarial function

The Group has appointed an external actuarial firm, Milliman LLP, to perform the Actuarial Function activities and selected a named professional within that firm to perform the role of Chief Actuary. The Chief Actuary has met the requirements of an Approved Person and holds an appropriate practising certificate from the Institute and Faculty of Actuaries in the UK. The Chief Actuary reports to the Chief Financial Officer whilst the ultimate responsibility of the role is to the Board.

The contract between Simplyhealth and the service provider is reviewed annually following the delivery of the Actuarial Function Holder ("AFH") report to the Board. The Chief Financial Officer is responsible for overseeing the performance of the service provider and for ensuring the quality of the service, and reports on the service levels and performance of the provider to the Board on a regular basis (at least annually).

The scope of the Actuarial Function includes a review of the Solvency II best estimate of technical provisions ("TPs"), i.e., claims and premium provisions and of the risk margin calculated as at 31 December 2022; an opinion of the underwriting policies operated by Simplyhealth and a summary of the contribution of the actuarial function to the risk management function.

The day-to-day tasks overseen by the Actuarial Function are performed by the Underwriting & Pricing and Financial Governance & Accounting teams within the Simplyhealth Finance function. The Group separates the 'production' activities from the 'review' process allowing the Chief Actuary to remain independent of the activities performed.

B.7 Outsourcing

It is a requirement for Simplyhealth to maintain Material Outsourcing principles, these principles are reported to the Risk & Capital Committee annually. The principles support our methodology for the engagement, management and assessment of the provision of "critical or important" operational functions or activities by third parties which we would otherwise deliver ourselves, and which are considered to be material to the effective operation of our business.

Simplyhealth's outsourcing policy is applied consistently across the Group. The policy provides guidance on how an outsourcing arrangement should be enacted, monitored and ultimately concluded. It also sets out the criteria for identifying critical or important outsourcing arrangements and the individuals responsible for ensuring the outsourcing provider is capable of performing the activity to the highest standards through effective due diligence.

All material outsourcing arrangements are approved by the Board and are formally reviewed on an annual basis.
The following arrangements had been identified as material outsourced during 2022:

Activity	Jurisdiction
Solvency II Actuarial Services	UK
Management of investment assets under a delegated authority	UK
Cloud based software and storage	UK
Customer product renewal - print and mailing	UK
Operating systems and MS Office licences, plus MS Azure hosting	UK
Legal entity employing all group staff and provides HR and procurement services to all group companies	UK
Policy inception, administration and claims handling of insurance products underwritten by Simplyhealth Access	UK
Data centre hosting and colocation services rationale	UK
Internal Audit services (ceased January 2023)	UK
Business continuity and data back-up services	UK

Simplyhealth, like many firms has relationships with a number of 3rd party vendors. In line with the regulatory requirements that came into force on the 31st March 2022, we have in place key processes, policies and controls to oversee the selection and performance of 3rd party arrangement.

We have in place a material outsourcing policy, which is approved by Risk & Capital Committee annually, and have refreshed and updated our wider vendor management processes which sets standards to how we assess, manage and review our 3rd party vendors.

We categorise our 3rd party suppliers into three tiers. The purpose of this is to enable to business to understand the supplier landscape and to highlight critical suppliers & material outsourcing and to ensure a proportionate level of oversight and risk management to each supplier tier. Tier 1 suppliers are those that provide services that in the event of service degradation, will directly and materially impact the performance of the firms 'Business Lines' (Cash Plans, Dental Insurance, Dental Capitation) and 'Critical Functions' (Customer payment processes, Claims management, Policyholder and Corporate customer management, Business Continuity, Regulated Activities and Data Security), or upon its financial resources.

Tier 1 suppliers are then further defined as those that are material outsourcers and those that are critical suppliers (non-outsourced). At least annually we provide an overview of the performance of our Tier 1 suppliers and key risks and issues to Risk & Capital Committee. All material outsourcing arrangements are approved by the Board and are formally reviewed on an annual basis.

B.8 Any other information

The Board has assessed the Group's corporate governance system and has concluded that it effectively provides for the sound and prudent management of the business, which is proportionate to the nature, scale and complexity of the operations within Simplyhealth.

C. Risk Profile

C.1 Underwriting risk

C.1.1 Material risks

Underwriting risk refers to the risk of loss arising from inadequacies in pricing and underwriting of insurance policies and of claims experience being materially different from expectations. The majority of underwriting risk to which the Group is exposed is of a short-term nature and generally does not significantly exceed 12 months. The principal line of risk underwritten by the Group is healthcare insurance in which the Group has substantial experience. Where the Group wishes to enter new lines, this is done using a controlled approach in order to manage the risk associated with new areas of business.

Each class of contract has a large population of homogeneous policyholders that are based throughout the UK. No one client represents more than 10% of total turnover and, therefore, no insurance contracts are deemed subject to concentration risk.

C.1.2 Measures used to assess the risk

The following measures are used to assess underwriting risk:

Business performance report

- The Group's business plan projects income and claims over a three-year time horizon. This information is used to track actual performance against expected levels, enabling corrective action to be put in place where necessary.
- All factors contributing to variances within income and claims are analysed on a monthly basis. This includes new business and lapse volumes, portfolio mix, average claims costs and claim frequencies. The resultant impact on loss ratios is reviewed to understand performance and assess results in the context of risk appetite.
- A business performance report is produced monthly which is communicated across management levels, up to and including the Board.

Reserving process

- The Group performs an 'expected versus actual' analysis on its technical provisions on a regular basis.
- This analysis is reviewed within monthly management meetings and the Group Finance Committee, so that future calculations can be informed by and calibrated using historical estimates alongside forward-looking assumptions. The review process includes the Chief Financial Officer, the Director of Underwriting & Pricing, the Director of Financial Governance & Accounting and the Chief Actuary.
- Deviations from planned performance are tracked to ensure that actual performance is managed within risk appetite.

Capital measurements

- Regulatory capital is measured on a quarterly basis using the Standard Formula SCR. The risk modules considered are lapse risk, premium and reserve risk and health catastrophe risk.
- Health underwriting risk is also assessed within the ORSA on an annual basis.

C.1.3 Risk mitigation techniques

Underwriting risk is mitigated in the following ways:

- Continuing underwriting risk is managed through regular underwriting reviews. These reviews ensure that benefits and prices are managed in a way that delivers competitive products, providing tangible benefits to our customers, while delivering a sustainable operating model which supports the Group's purpose.
- Pricing is generally based on historical claims frequencies and claims severity averages, adjusted for inflation, trended forward to recognise anticipated changes in claims patterns, conditions in the insurance market and a profit loading that adequately covers the cost of capital.
- The Group aims to acquire the correct mix of insurance business, at a price that provides value for our customers and supports a sustainable commercial position, while at the same time protecting itself from excessive insurance claims.
- Underwriting limits are in place to enforce appropriate risk selection criteria and pricing.
- Large corporate clients may be subject to contractual clauses which limit excessive claims loss ratios.

The Underwriting Governance Committee also plays an important role in mitigating potential underwriting risk as part of the duties delegated to it by the Executive Leadership Team.

The Underwriting Governance Committee meets on a monthly basis and its responsibilities include:

- Oversight of the underwriting performance of the insured portfolios:
  - Consumer
  - Corporate
  - Accident and Emergency
- Monitor and discuss market insight, analysis and industry wide developments to understand potential impacts on the Simplyhealth portfolio
- Input oversight and review of the underwriting analysis completed in relation to pricing of existing products
- Input oversight and review of the underwriting analysis completed in relation to new products and services
- Responsible for review of the annual update of the Underwriting policy and Pricing strategy prior to submission to Risk & Capital Committee and its ongoing application e.g., delegation of authorities/standard pricing

The Group monitors the effectiveness of these techniques through the regular reporting of underwriting performance results.

C.1.4 Prudent person principle

Not applicable to underwriting risk.

C.1.5 Risk sensitivities

The Directors have assessed that a deterioration of 10% is the highest reasonably possible change in the loss ratio. A deterioration of 10% in the loss ratio of the Medical Expenses book during the year would have resulted in a reduction in profit before tax of £21.3m and a reduction in equity of £17.3m.

C.2 Market risk

C.2.1 Material risks

Market risk is the risk of loss or of adverse change resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments.

The Group has potential exposures to the following material types of market risk:

- Currency risk: Arises from the investment portfolio, with some investments denominated in currencies other than sterling.
- Interest rate risk: Arises primarily from valuation movements on financial investments that are measured at fair value and have fixed interest rates.
- Spread risk: Arises from the sensitivity of the value of financial investments to changes in the level of or in the volatility of credit spreads over the risk-free interest rate term structure.
- Concentration risk: Arises as a result of a large investment in individual counterparties and single name exposures.
- Property risk: Arises as a result of sensitivity to the level or in the volatility of property market prices.

The investment portfolio is highly diversified. The largest investment exposure at 31 December 2022 was to the UK Government with a total capital value of £28.5m, representing 15% of total financial investments. These investments are in UK gilts where the market risks are considered to be low.

C.2.2 Measures used to assess the risk

The following measures are used to assess market risk:

Investment monitoring

- Fund valuations are monitored daily.
- Value-at-Risk (VaR) is monitored by fund against expected values weekly.
- Market analysis and volatility reviews are performed with the fund manager on a regular basis.
- Quantitative analysis of stress tests on tail risk scenarios are performed on a monthly basis with the investment manager.
- Movements in the investment portfolio in a rolling twelve-month period are monitored on a monthly basis.

Committee and management reviews

- The Risk and Capital Committee oversees all investments, including cash balances, of the Group. The Committee meets quarterly to discuss and provide challenge to the decisions of the investment manager appointed by the Committee.
- The Group Finance Committee ("GFC") comprises the Chief Financial Officer, the Director of Underwriting & Pricing, the Director of Financial Governance & Accounting, Chief Risk Officer, representatives from the investment manager and an independent external investment adviser. The GFC meets quarterly to review the performance and positions of the investment portfolio in accordance with the strategy set by the Board.

Capital measurements

- Regulatory capital is measured on a quarterly basis using the Standard Formula SCR. This assessment includes a detailed review of the investment portfolio assessing the nature and capital implications for each individual holding; 'the full look-through approach'.
- Market risk is also assessed within the ORSA.

C.2.3 Risk mitigation techniques

The structure of the investment portfolio is set out in section D.1.7.

The investment strategy is set by the Board and management follows this strategy in making investment decisions. The investment portfolio managed by Schroders and PIMCO is reviewed by the Risk and Capital Committee to ensure that investments are maintained in line with the investment strategy.

The aim of the investment strategy is to generate a consistent and relatively predictable level of return while seeking to protect the capital value of investments. Investment income is used to support the delivery of the business plan. Investment liquidity is managed to ensure funds can be released to enable investment in strategic objectives.

The Board targets a level of security, quality, liquidity, profitability and availability in its investment activities in accordance with its risk appetite:

- Security: Investment vehicles that are subject to significant price volatility or value erosion outside of the defined risk appetite shall not be used.
- Quality: The credit quality of any interest-bearing investment held for capital preservation should be investment grade.
- Liquidity: It must be possible to liquidate assets within one month of request.
- Profitability: Assets are only added to the portfolio when their expected return is commensurate with the level of risk taken and within risk appetite. Expected returns must be considered together with the capital impact associated with the investment.
- Availability: All investments must be fully admissible from a regulatory capital perspective and not result in off-balance sheet exposures.

The primary objective of our investment portfolio is to preserve capital and provide liquidity, whilst generating a positive return. Our investment portfolio remained primarily in fixed income markets, as we sought to avoid potential higher volatility in equity markets. Investment returns have been significantly impacted by the financial markets' reaction to the UK and wider global economy and the continued recessionary fears, though have outperformed other markets and remain unrealised, as we anticipate recovery in future years.

At the end of 2021 we updated our strategy and chose to adopt a different investment approach, moving an initial £100m of funds to create a growth portfolio with PIMCO Investment Management. This portfolio is split with 50% in a low-risk credit portfolio and 50% in a pooled diversified credit fund. Over time, the expectation is that capital will be withdrawn from the diversified credit allocation, moving the Simplyhealth Group's portfolio to consist predominantly of a low-risk credit portfolio, which will provide liquidity and capital support to the wider portfolio of new ventures. The performance during 2022, is a reflection on market movements, rather than issues specific to our portfolio. We aspire to have an investment portfolio that has positive social and environmental impacts. The business has begun to make significant investments into new ventures and will continue to do so over the coming years.

Market risk arising from the investment portfolio is actively managed by the investment managers of the respective funds.

C.2.4 Prudent person principle

The Group has appointed an investment manager to manage its investment portfolio. The investment manager has a discretionary mandate to invest assets with a view to achieving the investment objectives set by the Board within pre-agreed risk restrictions. The investment manager is obliged under the agreement with Simplyhealth to act in good faith and with reasonable care and skill, and by having regard to the Prudent Person Principle as instructed by the Group, when investing the Group's assets.

Simplyhealth performs regular reviews of the investment portfolio to ensure:

- Assets held by the Group are compliant with the Solvency II Directive;
- Assets are only invested in instruments which can be suitably modelled and valued;
- Investments are of a suitable quality and are within the pre-agreed restrictions set by the Board;
- Sufficient analysis is provided to allow Simplyhealth to fully understand the nature of all investments, including those within collective investment schemes, on a detailed look-through basis;
- Assets are properly diversified in such a way as to avoid excessive reliance on any particular asset, issuer or group of undertakings, or geographical area and excessive accumulation of risk in the portfolio as a whole;
- The Group is not exposed to excessive risk concentrations; and
- The investment portfolio has sufficient assets to cover derivative positions to ensure that these positions are proportionate in size to the overall portfolio.

C.2.5 Risk sensitivities

The sensitivity of reserves to movements in market risk variables, each considered in isolation, is shown in the following table:

Variable	**Change in variable**	**Potential increase / (decrease) in profit after tax and Solvency II Own Funds - £m**
Interest rate risk	-150 basis points	10.7
	+150 basis points	(10.3)
Equity price risk	+ 10% global equity market	3.6
	-10% global equity market	(3.7)
Currency risk	+15% spot rate against USD/EUR	6.8
	-15% spot rate against USD/EUR	(7.5)
Credit spread risk	-50 basis points	6.4
	+100 basis points	(12.2)

The analysis of market risk sensitivity has been derived by the Group's independent external investment managers, using standard valuation techniques that are the same as those applied in the previous year. The following assumptions were applied:

- The value of fixed income investments will vary inversely with changes in interest rates;
- Equity prices will move by the same percentage across all territories;
- Currency gains and losses will arise from a change in the value of sterling against all other currencies moving in parallel; and
- Credit spreads will move by the same percentage across all instruments and counterparties.

C.3 Credit risk

C.3.1 Material risks

Credit risk is the risk that counterparties will cause a financial loss to the Group by failing to discharge a financial obligation. The Group has exposure from the following areas:

- Amounts held with banks and other financial institutions;
- Counterparty defaults on debt securities;
- Amounts due from insurance premium debtors; and
- Amounts due from other group undertakings and guarantees offered to other group entities.

C.3.2 Measures used to assess the risk

The following measures are used to assess and manage credit risk:

Regular monitoring

- Cash balances are regularly reviewed to monitor and limit concentrations of risk.
- Credit ratings assigned to counterparties by international credit rating agencies, capital ratios and other financial information are monitored regularly.
- Credit Default Swap (CDS) rates are monitored weekly and are used as indicators of credit risk.
- Total levels of debt are managed to within approved limits. An allowance for doubtful debts is maintained and regularly monitored as part of the Group's internal financial reporting processes.

Capital measurements

- Liquidity risk is assessed within the ORSA.
- We have clear Board approved Risk Appetites to ensure sufficient liquidity and cashflow is maintained.

C.3.3 Risk mitigation techniques and the prudent person principle

The Group's exposure to credit risk is primarily mitigated by placing cash deposits with reputable banks that have strong credit ratings. The Group also operates a system of limits for each bank in accordance with its risk appetite. The Group's risk policies limit the maximum exposure with any single counterparty excluding the UK Government to £45m.

The Investment Management Agreement sets out the parameters under which the Investment Manager can operate including:

- The definition of eligible instruments;
- Asset allocation between the range of eligible instruments;
- The acceptable credit rating of counterparties; and
- Acceptable levels of concentration risk.

Adherence to this policy is monitored by the Risk and Capital Committee and the Group Finance Committee (GFC). The Group has no material concentration of credit risk in respect of amounts due from insurance intermediaries and policyholders due to the well diversified spread of such debtors. Premium and other trade debtors are subject to strict credit control and oversight.

C.4 Liquidity risk

C.4.1 Material risks

Liquidity risk is the risk that the Group will encounter difficulties in meeting obligations associated with financial liabilities or insurance contract liabilities when they fall due. The Group is exposed to daily calls on its available cash resources.

The Group's insurance liabilities are of short duration; insurance contracts do not generally exceed 12 months, and the majority of claims are settled within twelve months of being incurred.

There have been no instances during the reporting year where assets have had to be liquidated outside of plan, to meet financial obligations.

C.4.2 Measures used to assess the risk

The following measures are used to assess liquidity risk:

Cash flow projections

- The Group performs cash flow projections over its business planning time period. This information along with forecast performance information is used to assess overall liquidity risk as part of the Group's going concern assessment on an annual basis.
- Liquid resources, commitments, and liabilities are reviewed regularly as part of day-to-day operations to inform the current and forecast view of liquidity risk.
- The Group also reviews the effect on liquidity in the event of material changes during the year.

Treasury management

- The Group's overall treasury needs are considered over the short and medium term.
- Liquidity risk is measured daily through absolute level targets and monthly through a cash coverage ratio which measures the Group's ability to cover its working capital requirements.

Capital measurements

- Liquidity risk is assessed within the ORSA.

C.4.3 Risk mitigation techniques and the prudent person principle

The Group has robust processes in place to manage liquidity risk and has available cash balances and other readily marketable assets in case of exceptional need. The Group considers the composition of its assets in terms of their nature, duration, and liquidity to be appropriate and sufficient to meet its obligations as they fall due in line with the asset-liability management policy.

C.4.4 Expected profit in future premiums

Expected profits included in future premiums ("EPIFP") is calculated as the difference between:

- The technical provision using best estimate assumptions without a risk margin; and
- The technical provisions without a risk margin under the assumption that no further premiums will be received in the future for any reason other than the insured event having occurred, regardless of any legal or contractual rights of the policyholder to discontinue the policy.

The EPIFP calculation is performed at a homogeneous risk group level.

C.5 Operational risk

C.5.1 Material risks

Operational risk could lead to financial loss, customer detriment, reputational damage and potentially failure to meet regulatory objectives. It arises from inadequacies or failures of processes, people, and systems or from external events.

The material operational risks that the Group is exposed to are as follows:

- People capability & capacity: There is a risk we fail to recruit, develop, reward and retain the required resources to deliver on our strategy
- Change does not deliver the expected benefits: There is a risk that we do not deliver the expected benefits from our transformational change due to delays in delivery or alteration of scope
- Failure of a Technology Service – There is a risk that our technology services are unavailable and/or we fail to recover the service within risk appetite
- Data Breach: There is a risk of compromise of customer or employee data as a result of malicious, negligent or unintended staff activity, or from a cyber-attack.

There were no material operational risk losses or incidents during the reporting year that require disclosure.

C.5.2 Measures used to assess the risk

The following measures are used to assess operational risk:

Risk registers

- A comprehensive view of operational risk is achieved by considering both top down and bottom-up perspectives.
- Operational risks are primarily identified, assessed and managed by Business Units through their risk registers. Risk registers set out the key risks, their causes and consequences, and an assessment of the likelihood of those risks occurring along with an estimate of the potential impacts. A consistent standard methodology, facilitated by the Group Risk function, is implemented across the Group.
- The Board's top risk assessment process gives consideration to operational risk topics which are most significant to the organisation and affect every Business Unit. The Group Risk function facilitates this process, ensuring risks are identified and assessed on a consistent basis across different levels in the organisation.

Risk appetite measures

- A number of operational risk appetite measures are in place, including, but not limited to, the availability of our systems, the engagement and retention of our people and the performance of our suppliers.

Capital measurements

- Regulatory capital is measured on a quarterly basis using the Standard Formula SCR.
- Operational risk is also assessed within the ORSA.

C.5.3 Risk mitigation techniques

Simplyhealth seeks to mitigate operational risk by maintaining a robust governance framework, including the Operations Committee, with clear roles and responsibilities, supported by policies and procedures that are designed to support staff in performing their day-to-day tasks while effectively managing the risks inherent in those tasks.

C.5.4 Prudent person principle

Not applicable to operational risk.

C.6 Other material risks

Financial Risks of Climate Change

A Climate Change Risk Assessment is conducted on an annual basis, overseen by the Group Finance Committee, prior to review at the Risk & Capital Committee. This includes a refresh of our financial risks and opportunities of climate change, including both physical and transitional risks, over short, medium and long-term horizons.

This year's risk assessment was updated to reflect the crystallisation of certain physical risks, most notably experienced through the record-breaking temperatures in the UK, with 11 out of 14 Environment Agency areas declaring drought and wildfires becoming more prevalent across Europe. The impact to Simplyhealth, however, due to the flexibility of our product suite and the simplicity of our supply chain remains low over the short to mid-term.

We also conducted scenario analysis, stressing our investment portfolio against the Prudential Regulation Authority's Early Action scenario. The result of this scenario was non-material at £0.9m and required no further action at this stage. We continue to review the financial risks and opportunities of climate change as our strategy and products develop.

Non-insurance profit risk

Non-insurance profit risk refers to the revenue and expense risks associated with the non-insurance activities of the Group.

This risk is addressed by robust corporate governance and risk management frameworks that ensure risks are effectively and coherently identified, assessed, mitigated, managed and monitored across the Group. These frameworks also facilitate the timely and comprehensive reporting of business performance and risk management to the Board that allows them to effectively manage the Group.

C.7 Any Other Information

C.7.1 Any other information

There is no other information that is required to be provided with regard to the risk management system for the Group.

The Group's ORSA report sets out the description of the scenarios, the methodologies used and the outcome of the assessment. The stress and scenario tests performed during the reporting period, described earlier, have been approved by the Board.

D. Valuation for Solvency Purposes

The following tables provide a summary of the balance sheet prepared for the financial statements, and the reclassifications and valuation adjustments required to form the Solvency II balance sheet. All valuations are presented in pounds sterling on a going concern basis and are drawn up to 31 December 2022.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ('FRS 102') and FRS 103 "Insurance Contracts" ('FRS 103') and the Companies Act 2006. This is referred to as UK Generally Accepted Accounting Practice ("UK GAAP").

The Solvency II balance sheet has been prepared in accordance with the market-consistent valuation approach set out in Article 75 of Directive 2009/138/EC, which requires that (unless otherwise stated):

- Assets shall be valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction; and
- Liabilities shall be valued at the amount for which they could be transferred, or settled, between knowledgeable, willing parties in an arm's length transaction.

A description of the bases, methods and main assumptions used for the valuation for solvency purposes, and the material differences to those used in the financial statements, is set out in sections D.1 (assets), D.2 (technical provisions) and D.3 (other liabilities). These apply to both the Group and Simplyhealth Access.

There were no material changes in the recognition and valuation bases used or to the bases used for making estimations during the reporting period.

Consolidated balance sheet

As at 31 December 2022

Assets	Section	Financial statements (UK GAAP) £m	Reclassification adjustments £m	Solvency II valuation adjustments £m	Solvency II £m
Goodwill	D.1.1	0.0	0.0	(0.0)	0.0
Other intangible assets	D.1.2	4.7	0.0	(4.7)	0.0
Deferred acquisition costs	D.1.3	1.3	0.0	(1.3)	0.0
Deferred tax assets	D.1.4	7.4	0.0	(1.7)	5.7
Property, plant and equipment held for own use	D.1.5	5.8	0.0	0.0	5.8
Investment holdings in related undertakings	D.1.6	0.0	0.0	0.0	0.0
Unlisted equity investments	D.1.7	0.0	0.0	0.0	0.0
Bonds	D.1.7	94.9	0.4	0.0	95.3
Collective Investment Undertakings	D.1.7	82.9	0.0	0.0	82.9
Other investments	D.1.7	11.3	0.0	0.0	11.3
Derivative assets	D.1.7	0.2	0.0	0.0	0.2
Insurance and intermediaries receivables	D.1.8	93.0	(88.7)	0.6	4.9
Receivables (trade, not insurance)	D.1.9	11.8	0.0	(0.4)	11.4
Cash and cash equivalents	D.1.10	32.3	0.0	0.0	32.3
Any other assets, not elsewhere shown	D.1.11	2.0	(0.4)	0.0	1.6
TOTAL ASSETS		**347.6**	**(88.7)**	**(7.5)**	**251.4**
Liabilities	**Section**				
Technical provisions	D.2	98.5	(83.5)	(10.5)	4.5
Deferred tax liabilities	D.1.4	0.0	0.0	0.0	0.0
Derivative liabilities	D.1.7	0.4	0.0	0.0	0.4
Insurance and intermediaries payables	D.3.1	1.5	0.0	0.6	2.1
Payables (trade, not insurance)	D.3.2	15.6	(5.2)	0.1	10.5
Any other liabilities, not elsewhere shown	D.3.3	12.1	0.0	0.0	12.1
TOTAL LIABILITIES		**128.1**	**(88.7)**	**(9.8)**	**29.6**
Excess of Assets over Liabilities		**219.5**	**0.0**	**2.3**	**221.8**

Simplyhealth Access

Balance sheet

As at 31 December 2022

		Financial statements (UK GAAP)	Reclassification adjustments	Solvency II valuation adjustments	Solvency II
Assets	**Section**	**£m**	**£m**	**£m**	**£m**
Other intangible assets	D.1.2	0.0	0.0	0.0	0.0
Deferred acquisition costs	D.1.3	4.3	0.0	(4.3)	0.0
Deferred tax assets	D.1.4	5.0	0.0	(1.5)	3.5
Property, plant and equipment held for own use	D.1.5	4.1	0.0	0.0	4.1
Investment holdings in related undertakings	D.1.6	0.4	0.0	(0.1)	0.3
Unlisted equity investments	D.1.7	0.0	0.0	0.0	0.0
Bonds	D.1.7	94.9	0.4	0.0	95.3
Collective Investment Undertakings	D.1.7	82.9	0.0	0.0	82.9
Other investments	D.1.7	0.0	0.0	0.0	0.0
Derivative assets	D.1.7	0.2	0.0	0.0	0.2
Insurance and intermediaries receivables	D.1.8	76.2	(75.2)	0.0	1.0
Receivables (trade, not insurance)	D.1.9	17.8	(11.0)	0.1	6.9
Cash and cash equivalents	D.1.10	9.1	0.0	0.0	9.1
Any other assets, not elsewhere shown	D.1.11	0.3	(0.4)	0.1	0.0
TOTAL ASSETS		**295.2**	**(86.2)**	**(5.7)**	**203.3**
Liabilities	**Section**				
Technical provisions	D.2	98.5	(83.5)	(11.8)	3.2
Deferred tax liabilities	D.1.4	0.0	0.0	0.0	0.0
Derivative liabilities	D.1.7	0.4	0.0	0.0	0.4
Insurance and intermediaries payables	D.3.1	1.4	0.0	0.0	1.4
Payables (trade, not insurance)	D.3.2	23.5	(2.7)	(0.1)	20.7
Any other liabilities, not elsewhere shown	D.3.3	0.4	0.0	0.0	0.4
TOTAL LIABILITIES		**124.2**	**(86.2)**	**(11.9)**	**26.1**
Excess of Assets over Liabilities		**171.0**	**0.0**	**6.2**	**177.2**

D.1 Assets

D.1.1 Goodwill

Under UK GAAP, goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and amortised on a straight-line basis over its expected useful economic life.

Under Solvency II, goodwill is given no economic value as it is not an identifiable and separable asset in the marketplace.

D.1.2 Other intangible assets

Intangible assets include items such as computer software.

Under UK GAAP, intangible assets are amortised on a straight-line basis over their estimated useful economic lives and are assessed annually for impairment.

Under Solvency II, intangible assets are given no economic value if they cannot be traded in an active market.

D.1.3 Deferred acquisition costs

Costs relating to the acquisition of new insurance contracts that were deferred to the extent that they are expected to be recovered out of future margins are not allowable as an asset under the Solvency II regime. The economic value ascribed for solvency purposes is nil.

D.1.4 Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at that date.

Under UK GAAP, timing differences are differences between an entity's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. When the amount that can be deducted for tax for an asset (other than goodwill) or liability that is recognised in a business combination is different from the value at which it is recognised, a deferred tax asset or liability is recognised for the additional tax that will arise in respect of that difference. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

For solvency purposes, timing differences are differences between the economic value of assets and liabilities on the Solvency II balance sheet and their tax base. The deferred tax valuation adjustment shown in the Solvency II balance sheet is primarily attributable to the recognition of expected future taxable profits in the technical provisions arising from temporary timing differences.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply to the reversal of the timing difference.

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets and liabilities are not discounted.

D.1.5 Property, plant and equipment

Individual freehold properties are revalued to fair value every year at the accounting year-end under the revaluation model. Properties are valued by professional external valuers using the Royal Institution of Chartered Surveyors ("RICS") guidelines. The RICS guidelines apply separate assumptions to the value of the land, buildings and tenancy associated with each property. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific property.

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation of each asset on a straight-line basis over its expected useful life. Assets in the course of construction are not depreciated and are reviewed annually for indicators of impairment. Tangible fixed assets have not been re-measured for solvency purposes as their carrying value under UK GAAP is considered to be a proportionate approximation of fair value.

D.1.6 Investment holdings in related undertakings

In the Simplyhealth Access financial statements, investment in subsidiaries is measured at historical cost less any provision for impairment. Under Solvency II, the economic value of related undertakings is determined using the adjusted equity method. This method requires the net assets of the underlying undertakings to be valued in accordance with Solvency II valuation principles on a 'look-through' basis. Goodwill, intangible assets and deferred acquisition costs within the underlying undertakings are given no value.

Entities in which the Group holds an interest, and which are jointly controlled by the Group and one or more other venturers under a contractual arrangement are treated as joint ventures in the Simplyhealth Group financial statements. Under UK GAAP, the Group's share of the results of joint ventures and associates is included in the Group statement of comprehensive income using the equity method of accounting.

Investments in joint ventures are carried in the Group statement of financial position at cost plus post-acquisition changes in the Group's share of the net assets of the entity, less any impairment in value. For Solvency II a 'look-through' basis is applied.

Quoted prices in an active market are not available for any Group undertaking. This is a primary factor supporting the consolidated accounts of the group as a whole forming the basis of Solvency II calculations in alignment with the Consolidation method 1, under article 335 of the Delegated Acts. All submissions to EIOPA / PRA have been completed on this basis with no comments received upon the basis of calculation.

Solvency II Delegated Acts

Under Article 335 (see appendix A), companies should be consolidated within the "group" where;

- They are insurance companies;
- They are ancillary service companies in supporting the insurance undertaking; and
- They are financial holding companies of the parent undertaking.

D.1.7 Investments

Debt instruments, collective investment undertakings, derivative assets and liabilities and equity shares in the investment portfolio are designated as fair value through profit and loss.

The Company uses derivatives for the purpose of efficient portfolio management and to reduce risk in aspects of the Company's investment activities. The Company uses forward foreign exchange contracts and fixed interest futures for these purposes.

The Company monitors its exposure to risks through regular reviews of its portfolio of assets and liabilities and their underlying characteristics. The Directors have chosen not to apply hedge accounting to the Company's derivatives.

The Company has designated debt instruments, derivative assets and liabilities, collective investment schemes and equity shares in its investment portfolio as fair value through profit and loss. All other financial assets and liabilities are held at amortised cost. Net gains or losses arising from changes in the fair value of the derivative financial instruments are recognised immediately in the statement of comprehensive income within the heading 'Investment Returns'.

The Amendment to FRS 102 in respect of Fair Value Hierarchy Disclosures sets out the measurement bases that can be used to value financial assets and liabilities held at fair value. The different methods of valuation are categorised into a hierarchy as follows:

- Level 1: Assets and liabilities for which fair values have been measured using the unadjusted quoted price in an active market for identical assets or liabilities that Simplyhealth can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable (developed using market data) for the asset or liability, either directly or indirectly.
- Level 3: Inputs are unobservable (i.e., for which market data is unavailable) for the asset or liability.

The following table analyses the investments held at fair value by the Group according to the above hierarchy:

Solvency II valuation	**Level 1**	**Level 2**	**Level 3**	**Total**
	£m	**£m**	**£m**	**£m**
Unlisted investments	-	-	11.3	11.3
Debt securities	-	95.3	-	95.3
Collective investment undertakings	-	82.9	-	82.9
Derivative assets	-	0.2	-	0.2
Derivative liabilities	-	(0.4)	-	(0.4)
Total investments held at fair value	**-**	**178.0**	**11.3**	**189.3**

For solvency purposes, the following reclassification adjustment is made:

- Accrued interest is reclassified from 'any other assets, not elsewhere shown' to 'bonds'.

D.1.8 Insurance and intermediaries receivables

Simplyhealth accounts for its insurance business on a monthly or annual basis depending on the period of cover provided by the contract.

Under UK GAAP, insurance and intermediaries receivables are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment. For solvency purposes, insurance premium receivables that are not yet due for payment at the balance sheet date are reclassified as cash inflows within the technical provision. The remaining insurance receivables balance corresponds to the amount due for payment by policyholders. These are expected to be paid within one year.

D.1.9 Receivables (trade, not insurance)

Receivables (trade, not insurance) corresponds to receivables not related to the insurance business.

D.1.10 Cash and cash equivalents

Cash and cash equivalents in the financial statements consist of cash balances, deposits and other financial instruments with a maturity of less than 90 days from the date of deposit or purchase. This includes funds held on behalf of third parties that are not available for use by Simplyhealth.

Third-party funds held by the consolidated Simplyhealth Group comprise cash held on behalf of customers to administer claims under service contracts and are maintained in separate bank accounts. Following generally accepted industry practice, these amounts are disclosed separately within cash, with a corresponding creditor disclosed in 'payables (trade, not insurance)'. The inclusion of these funds on the balance sheet therefore has no impact on the net assets of the Group.

Other financial instruments that are cash equivalents for financial statements purposes but take the form of debt securities are reclassified as such for Solvency II.

Under Solvency II, cash and cash equivalents are valued at the amount payable on demand.

D.1.11 Any other assets, not elsewhere shown

Items included under this heading include prepayments and accrued interest receivable. The Solvency II valuation includes the reclassification of accrued interest to 'bonds'.

D.2 Technical provisions

Health (similar to non-life): Medical Expenses	SHG At 31 December 2022 £m	SHG At 31 December 2021 £m	SHA At 31 December 2022 £m	SHA At 31 December 2021 £m
Provision for unearned premiums	80.5	78.1	80.5	78.1
Provision for claims outstanding	18.0	17.7	18.0	17.7
Financial Statements (UK GAAP)	**98.5**	**95.8**	**98.5**	**95.8**
Insurance premium receivables not yet overdue	(88.7)	(85.1)	(88.7)	(85.1)
Bereavement provision	(0.5)	(0.5)	(0.5)	(0.5)
Insurance premium tax payable	5.7	4.7	5.7	4.7
Reclassification adjustments	(83.5)	(80.9)	(83.5)	(80.9)
Unearned premium economic adjustments	(33.6)	(28.5)	(33.6)	(28.5)
Provision for adverse development of claims	(0.8)	(0.8)	(0.8)	(0.8)
Events Not In Data (ENID) adjustments	6.7	4.0	6.7	4.0
Expense adjustments	15.8	14.6	14.5	11.8
Discounting adjustments	(0.4)	(0.1)	(0.4)	(0.1)
Risk margin	1.8	2.0	1.8	2.0
Solvency II valuation adjustments	(10.5)	(8.8)	(11.8)	(8.8)
Best estimate liability	2.7	4.1	1.4	1.3
Risk margin	1.8	2.0	1.8	2.0
Solvency II	**4.5**	**6.1**	**3.2**	**3.3**

Under Solvency II, technical provisions are valued in accordance with Article 77 of the Solvency II Directive 2009/138/EC. The Directive requires technical provisions to represent the current amount an insurer would have to pay for an immediate transfer of its obligations to another insurer calculated on a discounted cashflow basis.

Solvency II technical provisions are comprised of a best estimate liability and a risk margin. The best estimate liability is comprised of a claims provision and a premium provision.

The bases, methods and main assumptions used for the valuation of technical provisions are as follows:

Calculation basis

- Simplyhealth uses a going concern basis of calculation.
- Simplyhealth's insurance exposure is to a single line of business, 'Medical Expenses'.
- Technical provisions are estimated using a deterministic approach, in which outcomes are precisely determined through known relationships and best estimate assumptions using a mathematical model.

Segmentation

- Simplyhealth segments its insurance and reinsurance obligations into homogeneous risk groups and performs all key best estimate calculations at this level.

Data

- The data used in the calculation of technical provisions are considered to be complete, accurate and appropriate as defined in Article 19 of the Delegated Regulation 2015/35.

Best estimate

- The calculation of the best estimates is based upon up-to-date and credible information and realistic assumptions and is performed using adequate, applicable and relevant actuarial and statistical methods.
- The technical provision has been assessed on a best estimate basis and is intended to represent the expected value over a reasonable range of estimates. As such, these estimates do not contain margins for prudence. An allowance is made for low-probability high-severity events beyond the range of reasonably foreseeable; this is referred to as Events not in Data ("ENID").
- The claims provision best estimate and premium provision best estimate are calculated separately as required for non-life insurance undertakings.
- The best estimates are calculated gross of reinsurances ceded as all reinsurances have been fully run-off.

Cash flow basis

- Technical provisions are calculated and projected on a cash flow basis, incorporating all expected cash inflows and outflows required to settle insurance obligations over their full lifetime.
- All cash flows are subject to discounting using the basic risk-free rates published by the Bank of England (without the matching adjustment and volatility adjustment). It is calculated on the assumption that cash flows occur midway through each year.

Expenses

- Expenses include all amounts that will be incurred servicing the obligations of the insurance contracts. This includes, but is not limited to, administrative expenses, investment management expenses, claims management expenses, insurance premium tax, and acquisition costs not yet incurred. The allocation of overheads is performed on a going concern basis, and as such, assumes contracts will run to their expected term and a proportion of expected future costs will be covered by future business.
- The expenses calculation is based upon the amount that another insurer is likely to incur if they were taking over the management of the business at the valuation date. This does not include costs associated with the transfer of business between insurers.

Level of uncertainty associated with the value of technical provisions

- Actuarial best estimates are subject to a degree of uncertainty due to the inherent limitation of one's ability to predict the aggregate course of future events. Sources of uncertainty include the frequency and severity of claims payments, claims settlement patterns, lapse rates and economic developments such as claims inflation which may lead to actual experience differing from that implied by these assumptions.
- There is a low level of uncertainty associated with the technical provision as Simplyhealth's insurance business is relatively short-tailed and exhibits a stable claims settlement pattern.

D.2.1 Claims provision best estimate

The Solvency II claims provision replaces the UK GAAP provision for outstanding claims.

The claims provision is equivalent to the discounted best estimate of all future cash flows relating to claim events arising prior to the valuation date.

The underlying claims best estimate is represented by a provision for claims incurred but not yet paid. This provision is determined using traditional actuarial techniques for health businesses including the Chain Ladder Method, and, for more recent incurred periods, blending this with a trended expected cost per member per month, (the Projection Method), adjusted for monthly seasonality. The main assumptions in the estimation of this liability relate to the expected frequency, severity and settlement patterns of claims; these are expected to be consistent with recently observed experiences and trends but may undergo adjustment, with the use of expert judgement, where appropriate. The basis and calculation of the estimate is reviewed annually against claims experience.

The material differences between the Solvency II and UK GAAP valuations are as follows:

- The UK GAAP valuation includes a provision for adverse development of claims costs. This is replaced in the Solvency II valuation by an ENID allowance.
- The UK GAAP valuation includes a provision for claims handling costs. This is replaced in the Solvency II valuation by an estimate of all future expenses that would be incurred servicing these obligations.
- The Solvency II valuation is discounted.

D.2.2 Premium provision best estimate

The Solvency II premium provision replaces the UK GAAP provision for unearned premium.

The provision for unearned premium represents the proportion of premiums written that relate to periods of risk in future accounting periods. It is calculated separately for each insurance contract and on a pro rata basis.

This premium provision, however, is equivalent to the discounted best estimate of all future cash flows relating to claims occurring after the valuation date and covering the unexpired exposure of existing contracts and committed but not incepted contracts. Negative premium provisions arise when the present value of future cash inflows exceed the present value of future cash outflows. Simplyhealth has negative premium provisions because its insurance premiums are primarily settled on a monthly basis and not at the inception or renewal of the policy.

The premium provision best estimate calculation consists of the following steps:

- Premiums connected to all future insurance obligations are projected until the contract boundary. This includes an adjustment for lapses and mid-term cancellations which are projected in line with business expectations.
- The underlying claims best estimate arising from these obligations is projected in line with historical claims experience and current expectations.
- An allowance is made for ENID. This includes allowance for hospitalisation effects under pandemic scenarios.
- An estimate is made of all future expenses that would be incurred servicing these obligations.
- Insurance premium receivables connected to the future premiums which are not overdue are included as a cash inflow.
- The cash flows are then discounted.

D.2.3 Risk Margin

The risk margin is the amount that another insurer taking on the liabilities at the valuation date would require over and above the best estimates. There is no equivalent provision under UK GAAP.

The risk margin is calculated by determining the cost of providing an amount of eligible own funds equal to the SCR necessary to support the obligations over their lifetime at a prescribed cost of capital rate of 6% per annum.

Future SCR's have been determined using the default method 1 risk margin calculation prescribed by EIOPA. This method involves an approximation of individual (sub)-risks within some or all (sub)-modules within the calculation of future SCR's.

The SCR takes the following risks into account: underwriting risk with respect to the transferred business, counterparty default risk with respect to the reinsurer, and operational risk.

D.3 Other liabilities

D.3.1 Insurance and intermediaries payables

Simplyhealth accounts for its insurance business on a monthly or annual basis depending on the period of cover provided by the contract.

Under UK GAAP, insurance and intermediaries payables are measured at the undiscounted amount of the cash or other consideration expected to be paid. These are expected to be paid within one year.

D.3.2 Payables (trade, not insurance)

Payables (trade, not insurance) corresponds to payables not related to the insurance business. It is principally comprised of trade and sundry creditors, corporation tax and insurance premium tax. It also includes third party funds as described in section D.1.10 (cash and cash equivalents). Information on leasing arrangements is provided in section A.4 (performance of other activities).

For solvency purposes, insurance premium tax payable of £5.7m has been reclassified as cash outflows within the technical provisions.

D.3.3 Any other liabilities, not elsewhere shown

Items included under this heading include accruals.

D.4 Alternative methods for valuation

Level 3 investments comprise unlisted equity holdings held at fair value and short-term loans held at amortised cost.

D.5 Any other information

There is no further material information regarding the valuation of assets and liabilities for solvency purposes.

E. Capital Management

E.1 Own funds

E.1.1 Management of own funds

The Group manages its capital on both economic and regulatory bases to ensure it has sufficient funds to meet its business objectives, the promises made to policyholders and regulatory requirements.

The Capital Management Policy seeks to optimise the balance between risk and return while maintaining economic and regulatory capital within the Group's risk appetite. This policy guides the definition, measurement, reporting and projection of capital, assessing the current and potential sources and uses of capital.

The Chief Financial Officer owns the Capital Management Policy on behalf of the Board of Directors. The Board owns and agrees the definition of the Group's risk appetite. Governance over the implementation and operation of capital management is provided by the Risk and Capital Committee, a sub-committee of the Board.

The Group maintains a solvency capital position which is the SCR and the addition, of a capital buffer, held to provide a margin of safety against an unforeseen event(s) which could result in a breach of the SCR. This approach increases the confidence that the Group will operate at a capital level that is in line with the Group's risk appetite.

Capital above this buffer comprises resources which may be allocated to continued investment in the development of the Group's operations, subject to its risk appetite and targeted rates of return on capital. The Group sets a target rate of return for investment proposals to qualify for funding. Certain projects will also be undertaken to support risk management, improvement in processes and/or compliance with regulatory requirements.

The Group calculates and assesses its regulatory capital position, including the Solvency II SCR Coverage Ratio, on a quarterly basis. The Group's business plan is developed on an annual basis covering a three-year time horizon. The plan includes the projection of SCR and own funds estimates over the same period. A ten-year plan is also developed on a periodic basis which is used as a reference point to assess the performance trajectory of the Group against its long-term strategic goals. The development of significant business ventures is supported by detailed economic and financial business plan models.

There were no material changes in the capital management objective, policies or procedures during the reporting period.

E.1.2 Components of own funds

The Group's Capital Management policy sets out the following minimum thresholds in order to maintain the loss absorbing capacity of own funds:

- A minimum 50% of the SCR must be covered by Tier 1 own funds.
- Restricted Tier 1 own funds will constitute less than 20% of the Total Tier 1 own funds used to cover the SCR and Minimum Capital Requirement ("MCR").
- A maximum of 15% of the SCR will have a Tier 3 capital classification.

Simplyhealth maintains an appropriate level of capital within each tier to remain compliant with the thresholds allowable under Solvency II.

		SHG		SHA	
		At 31 December 2022	At 31 December 2021	At 31 December 2022	At 31 December 2021
Capital tier	**Details**	**£m**	**£m**	**£m**	**£m**
Unrestricted tier 1	Share capital and reserves	216.1	237.5	173.6	200.8
Tier 3	Deferred tax	5.7	0.7	3.6	0.0
Eligible basic own funds to cover the MCR		**216.1**	**237.5**	**173.6**	**200.8**
Eligible own funds to cover the SCR		**221.8**	**238.2**	**177.2**	**200.8**

Own funds, within each undertaking in the Group, are principally comprised of retained reserves. Retained reserves is classified as unrestricted Tier 1 capital as it is available, or can be called upon demand, to fully absorb losses on a going-concern basis, as well as in the case of winding-up (permanent availability). The Group's own funds have been calculated net of any intra-group transactions using the default accounting consolidation-based method (method 1). Please refer to Quantitative Reporting Template ("QRT") S.32.01.22 for the specific treatment applied to each undertaking.

Simplyhealth's own funds are not subject to transitional arrangements, nor does it have any ancillary own funds (committed but unpaid lines of capital).

Simplyhealth Group Limited is subject to a £5,000 deduction on its own funds arising from a local capital requirement to conduct other regulated activities within the Simplyhealth Funding Services Limited undertaking. There are no other restrictions affecting the availability, transferability or fungibility of own funds in any undertaking across the Group.

E.1.3 Reconciliation of UK GAAP equity to Solvency II eligible own funds

	SHG		SHA	
	At 31 December 2022	At 31 December 2021	At 31 December 2022	At 31 December 2021
	£m	**£m**	**£m**	**£m**
UK GAAP equity per audited financial statements	219.5	238.4	171.0	193.7
Inadmissible asset: Goodwill and intangible assets	(4.7)	(2.4)	0.0	0.0
Inadmissible asset: Deferred acquisition costs	(1.3)	(1.1)	(4.3)	(2.9)
Adjust technical provisions to Solvency II basis	10.5	8.8	11.8	11.6
Deferred tax valuation adjustments	(1.7)	(1.3)	(1.5)	(1.6)
Investment valuation adjustments	(0.0)	(3.5)	(0.1)	(0.1)
Other asset/liability valuation adjustments	(0.5)	(0.7)	0.3	0.1
Solvency II eligible own funds	**221.8**	**238.2**	**177.2**	**200.8**

E.2 Solvency Capital Requirement and Minimum Capital Requirement

Simplyhealth has used the Standard Formula, as defined in the Delegated Regulation, to calculate the SCR and MCR without undertaking-specific parameters or simplifications.

The Group SCR is calculated using the accounting consolidation-based method (method 1). There are no material diversification effects at Group level as Simplyhealth Access is the only insurance undertaking within the Group and it dominates the consolidated result.

A breakdown of the SCR by risk module is given below. The final amount of the SCR is subject to supervisory assessment.

	SHG		SHA	
Risk modules	**At 31 December 2022 £m**	**At 31 December 2021 £m**	**At 31 December 2022 £m**	**At 31 December 2021 £m**
Health underwriting risk	35.8	35.4	35.6	35.5
Counterparty default risk	4.9	4.7	3.5	3.4
Market risk	35.3	43.8	31.0	37.6
Diversification credit	(18.0)	(19.4)	(16.2)	(19.4)
Basic SCR requirement	58.0	64.5	53.9	59.0
Operational risk	6.4	5.9	6.4	5.9
Loss-absorbing capacity of deferred tax	0.0	0.0	0.0	0.0
Solvency Capital Requirement (SCR)	64.4	70.4	60.3	64.9
Minimum Capital Requirement (MCR)	15.1	16.2	15.1	16.2

SCR has increased over the reporting period through the changes in the investment portfolio, leading to higher capital charges at both the Group and Regulated Entity levels.

The MCR is pre-determined within the Solvency II legislation and corresponds to an amount of eligible basic own funds below which policyholders and beneficiaries are exposed to an unacceptable level of risk if insurance undertakings were allowed to continue their operations. The MCR is calibrated to the Value-at-Risk of the basic own funds of an insurance undertaking subject to a confidence level of 85% over a one-year period. The MCR for insurance undertakings is based upon a proportion of the best estimate liability and written premiums, and is subject to a minimum value of 25% of the SCR or a maximum value of 45% of the SCR. The inputs used for this calculation are shown in the QRT S.28.01.01. The MCR at group level, also referred to as minimum consolidated Group SCR, is the sum of the MCR's calculated for insurance undertakings within the Group.

Where there is a systematic approach to manage volatility through risk mitigation techniques the Solvency capital requirement has been calculated in accordance with Articles 209-215 of the Solvency II Directive.

E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

The duration-based equity risk module, as described in Article 304 of the Solvency II Directive 2009/138/EC, is not used to calculate the SCR as Simplyhealth does not write retirement provision business.

E.4 Differences between the standard formula and any internal model used

Simplyhealth does not use an internal model to calculate the SCR.

E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

Simplyhealth was compliant with the MCR and SCR throughout the reporting period.

E.6 Any other information

There is no further material information regarding the capital management of the Group or Simplyhealth Access.

Appendix

Statement of Directors' responsibilities

The Directors are responsible for preparing the SFCR in accordance with the Prudential Regulatory Authority (PRA) rules and SII Regulations.

The PRA Rulebook for SII firms in Rule 6.1(2) and Rule 6.2(1) of the Reporting Part requires that the Group must have in place a written policy ensuring the ongoing appropriateness of any information disclosed and that the Group must ensure that its SFCR is subject to approval by the Directors.

Each of the Directors, whose names and functions are listed in the Board of Directors section of the Report & Accounts, confirms that, to the best of their knowledge:

- Throughout the financial year in question, the Group and its solo insurance undertakings have complied in all material respects with the requirements of the PRA rules and SII Regulations as applicable; and
- It is reasonable to believe that, at the date of the publication of the SFCR, the Group and its solo insurance undertakings continue so to comply and will continue so to comply in future.

By Order of the Board

Nicholas Potter, Chief Financial Officer

30 March 2023

Report of the external independent auditor to the Directors of Simplyhealth Group Limited ('the Group') pursuant to Rule 4.1 (2) of the External Audit Chapter of the PRA Rulebook applicable to Solvency II firms

Report on the Audit of the relevant elements of the Single Group Solvency and Financial Condition Report ('SFCR')

Opinion

Except as stated below, we have audited the following documents prepared by the Group as at 31 December 2022:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Single Group SFCR of the Group as at 31 December 2022, ('the Narrative Disclosures subject to audit');
- Group templates S.02.01.02, S.23.01.22, S.25.01.22 and S32.01.22 ('the Group Templates subject to audit'); and
- Solo Templates S.02.01.02, S.17.01.02, S.23.01.01, S.25.01.21 and S.28.01.01 in respect of Simplyhealth Access ('the Solo Templates subject to audit').

The Narrative Disclosures subject to audit, the Solo Templates subject to audit and the Group Templates subject to audit are collectively referred to as the 'relevant elements of the Single Group SFCR'.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the Other Information which comprises:

- the 'Executive Summary', 'Business and performance', 'System of governance' and 'Risk profile' elements of the Single Group SFCR;
- Group templates S05.01.02, S05.02.01;
- Solo templates S.05.01.02, S.05.02.01, S.19.01.21;
- the written acknowledgement by management of their responsibilities, including for the preparation of the Group SFCR ('the Responsibility Statement');
- Information which pertains to an undertaking that is not a Solvency II undertaking and has been prepared in accordance with PRA rules other than those implementing the Solvency II Directive or in accordance with UK law other than the Solvency II regulations ('the sectoral information').

To the extent the information subject to audit in the relevant elements of the Single Group SFCR includes amounts that are totals, sub-totals or calculations derived from the Other Information, we have relied without verification on the Other Information.

In our opinion, the information subject to audit in the relevant elements of the Single Group SFCR as at 31 December 2022 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK), including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the relevant elements of the Group Solvency and Financial Condition Report* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the Single Group SFCR in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to the 'Valuation for solvency purposes' and 'Capital Management' sections of the Single Group SFCR, which describe the basis of accounting. The Single Group SFCR is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. The Single Group SFCR is required to be published, and intended users include but are not limited to the PRA. As a result, the Single Group SFCR may not be suitable for another purpose. Our opinion is not modified in respect of these matters.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Single Group SFCR is appropriate.

Our evaluation of the directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting included:

- We assessed management's reverse stress testing and the likelihood of the various scenarios that could adversely impact upon the Group's liquidity and solvency headroom.
- We assessed the ORSA ("Own Risk and Solvency Assessment ") to support our understanding of the key risks faced by the Group and its ability to continue as a going concern.
- We obtained and assessed correspondence between the Group and its regulators, the FCA and PRA, as well as reviewing the Board of Directors, Audit Committee and Risk and Capital Committee meeting minutes, to identify any items of interest which could potentially indicate either non-compliance with legislation or potential litigation or regulatory action held against the Group.
- We have assessed the appropriateness of the disclosures made in relations to going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the Single Group SFCR is authorised for issue.

Other Information

The Directors are responsible for the Other Information.

Our opinion on the relevant elements of the Single Group SFCR does not cover the Other Information and we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the relevant elements of the Single Group SFCR, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the relevant elements of the Single Group SFCR themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Directors for the Single Group Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Single Group SFCR in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations which have been modified by the modifications, and supplemented by the approvals and determinations made by the PRA under section 138A of FSMA, the PRA Rules and Solvency II regulations on which they are based.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Single Group SFCR that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the relevant elements of the Single Group Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the relevant elements of the Single Group SFCR are prepared, in all material respects, with financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Single Group SFCR are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the Single Group SFCR.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at https://www.frc.org.uk/auditorsresponsibilities. The same responsibilities apply to the audit of the Single Group SFCR.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Group's industry and its control environment, and reviewed the Single Group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit, risk, compliance and the Audit Committee about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the Group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the SFCR. These included Solvency II as implemented in the UK and tax legislation; and
- do not have a direct effect on the SFCR but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included Companies Act 2006 and related Company Law and the wider regulations of the Prudential Regulation Authority and the Financial Conduct Authority.

We discussed among the audit engagement team including relevant internal specialists such as tax, actuarial, IT and financial instrument specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for in the following area, and our specific procedures performed to address it are described below:

- The risk identified was the completeness of Events Not in Data ("ENIDs"). The procedures to address this risk included:
    - Obtaining an understanding of the process for determining and modelling the ENIDs and assessed the design and implementation of the key controls governing this process.
    - Involving internal actuarial specialists to:
        - Assess the methodology and approach adopted for determining the ENIDs
        - Assess the appropriateness of the ENID methodology compared with market practice and Solvency II requirements

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing SFCR disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;

- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the Prudential Regulation Authority and Financial Conduct Authority.

Report on Other Legal and Regulatory Requirements

Sectoral Information

In our opinion, in accordance with Rule 4.2 of the External Audit Chapter of the PRA Rulebook, the sectoral information has been properly compiled in accordance with the PRA rules and UK law relating to that undertaking from information provided by members of the group and the relevant insurance group undertaking.

Other Information

In accordance with Rule 4.1 (3) of the External Audit Chapter of the PRA Rulebook for Solvency II firms we are also required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of Simplyhealth Group Limited's statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in relation to this matter.

Use of our Report

This report is made solely to the Directors of Simplyhealth Group Limited in accordance with Rule 4.1 (2) of the External Audit Chapter of the PRA Rulebook for Solvency II firms. We acknowledge that our report will be provided to the PRA for the use of the PRA solely for the purposes set down by statute and the PRA's rules. Our audit work has been undertaken so that we might state to the insurer's Directors matters we are required to state to them in an auditor's report on the relevant elements of the Single Group SFCR and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the PRA, for our audit work, for this report or for the opinions we have formed.

A J Holland

Andrew Holland, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Bristol, United Kingdom
30 March 2023

Appendix – relevant elements of the Single Group Solvency and Financial Condition Report that are not subject to audit

The relevant elements of the Group SFCR that are not subject to audit comprise:

- Elements of the Narrative Disclosures subject to audit identified as 'unaudited'.

Group Quantitative Reporting Templates

Simplyhealth Group Limited

General information

Participating undertaking name	Simplyhealth Group Limited
Group identification code	213800RMKBQM55BCRM77
Type of code of group	LEI
Country of the group supervisor	GB
Language of reporting	EN
Reporting reference date	31 December 2022
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the group SCR	Standard formula
Method of group solvency calculation	Method 1 is used exclusively
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

S.02.01.02 - Balance sheet

S.05.01.02 - Premiums, claims and expenses by line of business

S.05.02.01 - Premiums, claims and expenses by country

S.23.01.22 - Own Funds

S.25.01.22 - Solvency Capital Requirement - for groups on Standard Formula

S.32.01.22 - Undertakings in the scope of the group

All figures are presented in thousands of pounds with the exception of ratios that are in decimal.

Please note that totals may differ from the component parts due to rounding.

S.02.01.02 - Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	5,714
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	5,831
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	189,671
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	20
R0110	*Equities – listed*	0
R0120	*Equities – unlisted*	20
R0130	*Bonds*	95,367
R0140	*Government Bonds*	59,872
R0150	*Corporate Bonds*	35,495
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	82,855
R0190	*Derivatives*	152
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	11,277
R0220	Assets held for index-linked and unit-linked contracts	0
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	0
R0260	*Other loans and mortgages*	0
R0270	Reinsurance recoverables from:	0
R0280	*Non-life and health similar to non-life*	0
R0290	*Non-life excluding health*	0
R0300	*Health similar to non-life*	0
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	0
R0330	*Life excluding health and index-linked and unit-linked*	0
R0340	*Life index-linked and unit-linked*	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	4,900
R0370	Reinsurance receivables	0
R0380	Receivables (trade, not insurance)	11,410
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	32,254
R0420	Any other assets, not elsewhere shown	1,582
R0500	**Total assets**	251,362

S.02.01.02 - Balance sheet (continued)

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	4,522
R0520	*Technical provisions - non-life (excluding health)*	0
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	0
R0550	*Risk margin*	0
R0560	*Technical provisions - health (similar to non-life)*	4,522
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	2,718
R0590	*Risk margin*	1,804
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	0
R0630	*Best Estimate*	0
R0640	*Risk margin*	0
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	0
R0680	*Risk margin*	0
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	0
R0710	*Best Estimate*	0
R0720	*Risk margin*	0
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	0
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	0
R0790	Derivatives	449
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	2,107
R0830	Reinsurance payables	0
R0840	Payables (trade, not insurance)	10.486
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	0
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	11,994
R0900	**Total liabilities**	29,558
R1000	**Excess of assets over liabilities**	221,804

S.05.01.02 - Premiums, claims and expenses by line of business

	Non-life	Medical expense insurance	Total
		C0010	C0200
	Premiums written		
R0110	*Gross - Direct Business*	215,671	215,671
R0120	*Gross - Proportional reinsurance accepted*	0	0
R0130	*Gross - Non-proportional reinsurance accepted*		0
R0140	*Reinsurers' share*	0	0
R0200	*Net*	215,671	215,671
	Premiums earned		
R0210	*Gross - Direct Business*	213,233	213,233
R0220	*Gross - Proportional reinsurance accepted*	0	0
R0230	*Gross - Non-proportional reinsurance accepted*		0
R0240	*Reinsurers' share*	0	0
R0300	*Net*	213,233	213,233
	Claims incurred		
R0310	*Gross - Direct Business*	141,048	141,048
R0320	*Gross - Proportional reinsurance accepted*	0	0
R0330	*Gross - Non-proportional reinsurance accepted*		0
R0340	*Reinsurers' share*	0	0
R0400	*Net*	141,048	141,048
	Changes in other technical provisions		
R0410	*Gross - Direct Business*	0	0
R0420	*Gross - Proportional reinsurance accepted*	0	0
R0430	*Gross - Non-proportional reinsurance accepted*		0
R0440	*Reinsurers' share*	0	0
R0500	*Net*	0	0
R0550	**Expenses incurred**	72,311	72,311
R1200	**Other expenses**		0
R1300	**Total expenses**		72,311

S.05.02.01 - Premiums, claims and expenses by country

		C0010	C0070
R0010	**Non-life**	Home Country	Total Top 5 and home country
		C0080	C0140
	Premiums written		
R0110	*Gross - Direct Business*	215,671	215,671
R0120	*Gross - Proportional reinsurance accepted*	0	0
R0130	*Gross - Non-proportional reinsurance accepted*	0	0
R0140	*Reinsurers' share*	0	0
R0200	*Net*	215,671	215,671
	Premiums earned		
R0210	*Gross - Direct Business*	213,233	213,233
R0220	*Gross - Proportional reinsurance accepted*	0	0
R0230	*Gross - Non-proportional reinsurance accepted*	0	0
R0240	*Reinsurers' share*	0	0
R0300	*Net*	213,233	213,233
	Claims incurred		
R0310	*Gross - Direct Business*	141,048	141,048
R0320	*Gross - Proportional reinsurance accepted*	0	0
R0330	*Gross - Non-proportional reinsurance accepted*	0	0
R0340	*Reinsurers' share*	0	0
R0400	*Net*	141,048	141,048
	Changes in other technical provisions		
R0410	*Gross - Direct Business*	0	0
R0420	*Gross - Proportional reinsurance accepted*	0	0
R0430	*Gross - Non-proportional reinsurance accepted*	0	0
R0440	*Reinsurers' share*	0	0
R0500	*Net*	0	0
R0550	**Expenses incurred**	72,311	72,311
R1200	**Other expenses**		0
R1300	**Total expenses**		72,311

S.23.01.22 - Own Funds

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
	Basic own funds before deduction for participations in other financial sector					
R0010	Ordinary share capital (gross of own shares)	0	0		0	
R0020	*Non-available called but not paid in ordinary share capital at group level*	0	0		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0060	*Non-available subordinated mutual member accounts at group level*	0		0	0	0
R0070	Surplus funds	0	0			
R0080	*Non-available surplus funds at group level*	0	0			
R0090	Preference shares	0		0	0	0
R0100	*Non-available preference shares at group level*	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0120	*Non-available share premium account related to preference shares at group level*	0		0	0	0
R0130	Reconciliation reserve	216,090	216,090			
R0140	Subordinated liabilities	0		0	0	0
R0150	*Non-available subordinated liabilities at group level*	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	5,714				5,714
R0170	*The amount equal to the value of net deferred tax assets not available at the group level*	0				0
R0180	Other items approved by supervisory authority as basic own funds not specified above	0	0	0	0	0
R0190	*Non available own funds related to other own funds items approved by supervisory authority*	0	0	0	0	0
R0200	Minority interests (if not reported as part of a specific own fund item)	0	0	0	0	0
R0210	*Non-available minority interests at group level*	0	0	0	0	0
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	0				
R0230	**Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities**	5	0	0	0	0
R0240	*whereof deducted according to art 228 of the Directive 2009/138/EC*	0	0	0	0	
R0250	Deductions for participations where there is non-availability of information (Article 229)	0	0	0	0	0
R0260	Deduction for participations included by using D&A when a combination of methods is used	0	0	0	0	0
R0270	**Total of non-available own fund items**	0	0	0	0	0
R0280	**Total deductions**	5	5	0	0	0
R0290	**Total basic own funds after deductions**	221,799	216,085	0	0	5,714

S.23.01.22 - Own Funds (continued)

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0			0	
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0			0	
R0320	Unpaid and uncalled preference shares callable on demand	0			0	0
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0			0	0
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0			0	
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0			0	0
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	0
R0380	Non available ancillary own funds at group level	0			0	0
R0390	Other ancillary own funds	0			0	0
R0400	**Total ancillary own funds**	0			0	0
	Own funds of other financial sectors					
R0410	Credit Institutions, investment firms, financial institutions, alternative investment fund manager, financial institutions	0	0	0	0	
R0420	Institutions for occupational retirement provision	0	0	0	0	0
R0430	Non regulated entities carrying out financial activities	0	0	0	0	
R0440	**Total own funds of other financial sectors**	0	0	0	0	0
	Own funds when using the D&A, exclusively or in combination of method 1					
R0450	Own funds aggregated when using the D&A and combination of method	0	0	0	0	0
R0460	Own funds aggregated when using the D&A and combination of method net of IGT	0	0	0	0	0
R0520	Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	221,799	216,085	0	0	5,714
R0530	Total available own funds to meet the minimum consolidated group SCR	216,085	216,085	0	0	
R0560	Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	221,799	216,085	0	0	5,714
R0570	Total eligible own funds to meet the minimum consolidated group SCR (group)	216,085	216,085	0	0	
R0610	**Minimum consolidated Group SCR**	15,083				
R0650	**Ratio of Eligible own funds to Minimum Consolidated Group SCR**	1,432.67%				
R0660	**Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)**	221,799	216,085	0	0	5,714
R0680	**Group SCR**	64,377				
R0690	**Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A**	344.53%				

		C0060
	Reconciliation reserve	
R0700	Excess of assets over liabilities	221,084
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	0
R0730	Other basic own fund items	5,714
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0750	Other non-available own funds	0
R0760	**Reconciliation reserve**	216,090

	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	0
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	11,035
R0790	**Total Expected profits included in future premiums (EPIFP)**	11,035

S.25.01.22 - Solvency Capital Requirement - for groups on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0080	C0090
R0010	Market risk	35,305		9
R0020	Counterparty default risk	4,875		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	35,849	9	9
R0050	Non-life underwriting risk	0		
R0060	Diversification	(18,050)		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	57,980		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	6,397
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	0
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	64,377
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement for undertakings under consolidated method**	64,377
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0
R0470	Minimum consolidated group solvency capital requirement	15,083
	Information on other entities	
R0500	Capital requirement for other financial sectors (Non-insurance capital requirements)	0
R0510	*Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies*	0
R0520	*Institutions for occupational retirement provisions*	0
R0530	*Capital requirement for non- regulated entities carrying out financial activities*	0
R0540	Capital requirement for non-controlled participation requirements	0
R0550	Capital requirement for residual undertakings	0
	Overall SCR	
R0560	SCR for undertakings included via D&A	0
R0570	**Solvency capital requirement**	64,377

S.32.01.22 - Undertakings in the scope of the group

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	Criteria of influence: % capital share	Criteria of influence: % used for the establishment of consolidated accounts	Criteria of influence: % voting rights	Criteria of influence: Other criteria	Criteria of influence: Level of influence	Criteria of influence: Proportional share used for group solvency calculation	Inclusion in the scope of Group supervision: YES/NO	Inclusion in the scope of Group supervision: Date of decision if art. 214 is applied	Group solvency calculation: Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
GB	213800RMKBQM55BCRM77	LEI	Simplyhealth Group Limited	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Company limited by shares or by guarantee or unlimited	Non-mutual	None							Included in the scope		Method 1: Full consolidation
GB	213800O4EQIDJORG2I30	LEI	Simplyhealth Access	Non-life insurance undertaking	Company limited by shares or by guarantee or unlimited	Non-mutual	Prudential Regulation Authority	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GB	213800IWORFTLU23G981	LEI	Denplan Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual	Financial Conduct Authority	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GB	21380082WL8PCGRNF629	LEI	Simplyhealth Funding Services Limited	Credit institution, investment firm and financial institution	Company limited by shares or by guarantee or unlimited	Non-mutual	Financial Conduct Authority	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GB	21380098D8MES2KKVN41	LEI	Simplyhealth Guidance Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual	None	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GB	213800AC4TSSNVI4Q244	LEI	Simplyhealth Holdings Limited	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Company limited by shares or by guarantee or unlimited	Non-mutual	None	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GB	213800V8HRR3L4HUR462	LEI	Simplyhealth Nominees Limited	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Company limited by shares or by guarantee or unlimited	Non-mutual	None	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GB	213800GWO6QO64BWB775	LEI	Simplyhealth People Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual	None	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GB	213800RMKBQM55BCRM77-GB00001	Specific Code	Ocuplan Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual	None	65.00%	100.00%	65.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GB	213800RMKBQM55BCRM77-GB00002	Specific Code	Simplyhealth Venture Capital Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual	None	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
GB	213800RMKBQM55BCRM77-GB00003	Specific Code	Simplyhealth Foundry Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual	None	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation

Solo Quantitative Reporting Templates

Simplyhealth Access

General information

Undertaking name	Simplyhealth Access
Undertaking identification code	213800O4EQIDJORG2I30
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	GB
Language of reporting	EN
Reporting reference date	31 December 2022
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

S.02.01.02 - Balance sheet

S.05.01.02 - Premiums, claims and expenses by line of business

S.05.02.01 - Premiums, claims and expenses by country

S.17.01.02 - Non-Life Technical Provisions

S.19.01.21 - Non-Life insurance claims

S.23.01.01 - Own Funds

S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula

S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

All figures are presented in thousands of pounds with the exception of ratios that are in decimal.

Please note that totals may differ from the component parts due to rounding.

S.02.01.02 - Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	3,528
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	4,120
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	178,665
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	271
R0100	*Equities*	20
R0110	*Equities - listed*	0
R0120	*Equities - unlisted*	20
R0130	*Bonds*	95,367
R0140	*Government Bonds*	59,872
R0150	*Corporate Bonds*	35,495
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	82,855
R0190	*Derivatives*	152
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	0
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	0
R0260	*Other loans and mortgages*	0
R0270	Reinsurance recoverables from:	0
R0280	*Non-life and health similar to non-life*	0
R0290	*Non-life excluding health*	0
R0300	*Health similar to non-life*	0
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	0
R0330	*Life excluding health and index-linked and unit-linked*	0
R0340	*Life index-linked and unit-linked*	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	994
R0370	Reinsurance receivables	0
R0380	Receivables (trade, not insurance)	6,925
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	9,072
R0420	Any other assets, not elsewhere shown	0
R0500	**Total assets**	203,304

S.02.01.02 - Balance sheet (continued)

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	3,199
R0520	*Technical provisions - non-life (excluding health)*	0
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	0
R0550	*Risk margin*	0
R0560	*Technical provisions - health (similar to non-life)*	3,199
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	1,395
R0590	*Risk margin*	1,804
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	0
R0630	*Best Estimate*	0
R0640	*Risk margin*	0
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	0
R0680	*Risk margin*	0
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	0
R0710	*Best Estimate*	0
R0720	*Risk margin*	0
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	0
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	0
R0790	Derivatives	449
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	1,373
R0830	Reinsurance payables	0
R0840	Payables (trade, not insurance)	20,753
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	0
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	369
R0900	**Total liabilities**	26,143
R1000	**Excess of assets over liabilities**	177,161

S.05.01.02 - Premiums, claims and expenses by line of business

	Non-life	Medical expense insurance	Total
		C0010	C0200
	Premiums written		
R0110	*Gross - Direct Business*	215,671	215,671
R0120	*Gross - Proportional reinsurance accepted*	0	0
R0130	*Gross - Non-proportional reinsurance accepted*		0
R0140	*Reinsurers' share*	0	0
R0200	*Net*	215,671	215,671
	Premiums earned		
R0210	*Gross - Direct Business*	213,233	213,233
R0220	*Gross - Proportional reinsurance accepted*	0	0
R0230	*Gross - Non-proportional reinsurance accepted*		0
R0240	*Reinsurers' share*	0	0
R0300	*Net*	213,233	213,233
	Claims incurred		
R0310	*Gross - Direct Business*	141,048	141,048
R0320	*Gross - Proportional reinsurance accepted*	0	0
R0330	*Gross - Non-proportional reinsurance accepted*	0	0
R0340	*Reinsurers' share*	0	0
R0400	*Net*	141,048	141,048
	Changes in other technical provisions		
R0410	*Gross - Direct Business*	0	0
R0420	*Gross - Proportional reinsurance accepted*	0	0
R0430	*Gross - Non-proportional reinsurance accepted*		0
R0440	*Reinsurers' share*	0	0
R0500	*Net*	0	0
R0550	**Expenses incurred**	74,938	74,938
R1200	**Other expenses**		0
R1300	**Total expenses**		74,938

S.05.02.01 - Premiums, claims and expenses by country

		C0010	C0070
R0010	**Non-life**	Home Country	Total Top 5 and home country
		C0080	C0140
	Premiums written		
R0110	*Gross - Direct Business*	215,671	215,671
R0120	*Gross - Proportional reinsurance accepted*	0	0
R0130	*Gross - Non-proportional reinsurance accepted*	0	0
R0140	*Reinsurers' share*	0	0
R0200	*Net*	215,671	215,671
	Premiums earned		
R0210	*Gross - Direct Business*	213,233	213,233
R0220	*Gross - Proportional reinsurance accepted*	0	0
R0230	*Gross - Non-proportional reinsurance accepted*	0	0
R0240	*Reinsurers' share*	0	0
R0300	*Net*	213,233	213,233
	Claims incurred		
R0310	*Gross - Direct Business*	141,048	141,048
R0320	*Gross - Proportional reinsurance accepted*	0	0
R0330	*Gross - Non-proportional reinsurance accepted*	0	0
R0340	*Reinsurers' share*	0	0
R0400	*Net*	141,048	141,048
	Changes in other technical provisions		
R0410	*Gross - Direct Business*	0	0
R0420	*Gross - Proportional reinsurance accepted*	0	0
R0430	*Gross - Non-proportional reinsurance accepted*	0	0
R0440	*Reinsurers' share*	0	0
R0500	*Net*	0	0
R0550	**Expenses incurred**	74,938	74,938
R1200	**Other expenses**		0
R1300	**Total expenses**		74,938

S.17.01.02 - Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance Medical expense insurance	Total Non-Life obligation
		C0020	C0180
R0010	**Technical provisions calculated as a whole**	0	0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	0	0
	Technical provisions calculated as a sum of BE and RM		
	Best estimate		
	Premium provisions		
R0060	Gross	(15,910)	(15,910)
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	0
R0150	**Net Best Estimate of Premium Provisions**	(15,910)	(15,910)
	Claims provisions		
R0160	Gross	17,305	17,305
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	0
R0250	**Net Best Estimate of Claims Provisions**	17,305	17,305
R0260	**Total best estimate - gross**	1,395	1,395
R0270	**Total best estimate - net**	1,395	1,395
R0280	**Risk margin**	1,804	1,804
	Amount of the transitional on Technical Provisions		
R0290	Technical Provisions calculated as a whole	0	0
R0300	Best estimate	0	0
R0310	Risk margin	0	0
R0320	**Technical provisions - total**	3,199	3,199
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**	0	0
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**	3,199	3,199

S.19.01.21 - Non-Life insurance claims

Total Non-life business

Z0010 **Accident year / underwriting year** | Accident Year

Gross Claims Paid (non-cumulative)
(absolute amount)

	Year	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170 In Current year	C0180 Sum of years (cumulative)
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											19	19	609,767
R0160	N-9	244,118	32,937	891	232	75	46	34	19	7	4		4	278,363
R0170	N-8	241,664	29,571	921	217	115	57	22	14	11			11	272,592
R0180	N-7	245,019	24,255	750	206	94	34	21	19				19	270,398
R0190	N-6	192,105	15,286	675	196	58	40	25					25	208,385
R0200	N-5	139,105	13,892	658	136	73	40						40	153,903
R0210	N-4	135,391	12,599	524	157	78							78	148,750
R0220	N-3	138,102	10,722	717	220								220	149,762
R0230	N-2	99,067	11,180	580									580	110,827
R0240	N-1	127,499	11,508										11,508	139,008
R0250	N	128,200											128,200	128,200
R0260												Total	140,704	2,469,955

Development year

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

	Year	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360 Year end (discounted data)
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											0	
R0160	N-9	0	0	0	30	0	0	0	0	0	0		0
R0170	N-8	0	0	219	33	0	0	0	0	0			0
R0180	N-7	0	967	202	39	0	0	0	0				0
R0190	N-6	17,551	832	217	43	0	0	0					0
R0200	N-5	16,516	893	249	28	0	0						0
R0210	N-4	15,072	950	155	46	0							0
R0220	N-3	14,449	700	185	50								43
R0230	N-2	17,454	981	262									236
R0240	N-1	16,081	913										855
R0250	N	16,527											16,171
R0260												Total	17,305

Development year

S.23.01.01 - Own Funds

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35					
R0010	Ordinary share capital (gross of own shares)	0	0		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	173,633	173,633			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	3,528				3,528
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	0				
R0230	**Deductions for participations in financial and credit institutions**	0	0	0	0	0
R0290	**Total basic own funds after deductions**	177,161	173,633	0	0	3,528
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0			0	
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0			0	
R0320	Unpaid and uncalled preference shares callable on demand	0			0	0
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0			0	0
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0			0	
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0			0	0
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	0
R0390	Other ancillary own funds	0			0	0
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	177,161	173,633	0	0	3,528
R0510	Total available own funds to meet the MCR	173,633	173,633	0	0	
R0540	Total eligible own funds to meet the SCR	177,161	173,633	0	0	3,582
R0550	Total eligible own funds to meet the MCR	173,633	173,633	0	0	
R0580	**SCR**	60,330				
R0600	**MCR**	15,083				
R0620	**Ratio of Eligible own funds to SCR**	293.65%				
R0640	**Ratio of Eligible own funds to MCR**	1,151.21%				

		C0060
	Reconciliation reserve	
R0700	Excess of assets over liabilities	177,161
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	0
R0730	Other basic own fund items	3,528
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	173,633
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	0
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	11,750
R0790	**Total Expected profits included in future premiums (EPIFP)**	11,750

S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0080	C0090
R0010	Market risk	30,963		9
R0020	Counterparty default risk	3,539		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	35,614	9	9
R0050	Non-life underwriting risk	0		
R0060	Diversification	(16,183)		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	53,933		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	6,397
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	0
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	60,330
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	60,330
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

		C0010
	Linear formula component for non-life insurance and reinsurance obligations	
R0010	MCR_{NL} Result	10,202

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	1,395	215,671
R0030	Income protection insurance and proportional reinsurance	0	0
R0040	Workers' compensation insurance and proportional reinsurance	0	0
R0050	Motor vehicle liability insurance and proportional reinsurance	0	0
R0060	Other motor insurance and proportional reinsurance	0	0
R0070	Marine, aviation and transport insurance and proportional reinsurance	0	0
R0080	Fire and other damage to property insurance and proportional reinsurance	0	0
R0090	General liability insurance and proportional reinsurance	0	0
R0100	Credit and suretyship insurance and proportional reinsurance	0	0
R0110	Legal expenses insurance and proportional reinsurance	0	0
R0120	Assistance and proportional reinsurance	0	0
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	0
R0140	Non-proportional health reinsurance	0	0
R0150	Non-proportional casualty reinsurance	0	0
R0160	Non-proportional marine, aviation and transport reinsurance	0	0
R0170	Non-proportional property reinsurance	0	0

		C0040
	Linear formula component for life insurance and reinsurance obligations	
R0200	MCR_{L} Result	0

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits	0	
R0220	Obligations with profit participation - future discretionary benefits	0	
R0230	Index-linked and unit-linked insurance obligations	0	
R0240	Other life (re)insurance and health (re)insurance obligations	0	
R0250	Total capital at risk for all life (re)insurance obligations		0

		C0070
	Overall MCR calculation	
R0300	Linear MCR	10,202
R0310	SCR	60,330
R0320	MCR cap	27,149
R0330	MCR floor	15,083
R0340	Combined MCR	15,083
R0350	Absolute floor of the MCR	2,325
R0400	**Minimum Capital Requirement**	15,083

Glossary

The Group or SHG	The Simplyhealth Group (Simplyhealth Group Limited together with its consolidated subsidiaries)
The Company	Simplyhealth Group Limited
SHA	Simplyhealth Access
Denplan	Denplan Limited

AFH	Actuarial Function Holder
CF	Controlled Functions
CFIF	Core Fixed Income Fund
CLR	Claims Loss Ratio
Delegated Regulations	Commission Delegated Regulation (EU) 2015/35
EIOPA	European Insurance and Occupational Pensions Authority
EPIFP	Expected Profits in Future Premiums
EU	European Union
FCA	Financial Conduct Authority
GDPR	General Data Protection Regulation
HoIA	Head of Internal Audit
IIA	Institute of Internal Auditors
IPT	Insurance Premium Tax
LTIP	Long Term Incentive Plan
MCR	Minimum Capital Requirement
ORSA	Own Risk and Solvency Assessment
PRA	Prudential Regulation Authority
QRT	Quantitative Reporting Template
RICS	Royal Institution of Chartered Surveyors
RSR	Regular Supervisory Report
SCR	Solvency Capital Requirement
SFCR	Solvency and Financial Condition Report
SIF	Significant Influence Functions
SIMF	Senior Insurance Manager Functions
SIMR	Senior Insurance Manager Regime
SM&CR	Senior Managers and Certification Regime
TP	Technical Provision
UK	United Kingdom